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# East Europe SUPPLEMENT

JPRS-EER-93-019-S

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11 March 1993

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\* Klaus Wants Press To Be More 'Constructive'  
93CH0403C Prague LIDOVÁ DEMOKRACIE in Czech  
18 Feb 93 p 1

[Interview with Czech Prime Minister Vaclav Klaus by Vladimir Kucera; place and date not given: "I Do Not Believe Public Opinion Is Against Us"]

[Text] [Kucera] Recently the tension between Czech prime minister and ODS [Civic Democratic Party] chairman Vaclav Klaus and journalists has intensified again. We spoke with him about this problem, and we began with a specific example: Whoever does not talk about Temelin is not "in." We do not want from you the arguments "for" nor will we give the arguments "against." Both have been heard many times over, both will be heard many times again.... Rather, we are interested in what you think about the reactions to the discussions and decisions on Temelin....

[Klaus] I shall talk about the reactions of journalists. At a time when the overwhelming majority of the government's arguments points to the words "Temelin yes"—and I am personally convinced that that is correct—the world of journalism goes against the government and against Temelin. I am 100 percent convinced that if the majority of arguments were to point to "Temelin no," overnight there would be a complete change in the attitude of the media, and the media would again take a stand against the government and demand that we explain how we shall pay off the 40 billion investment, who will pay it, whether it will be at the expense of retirees, families with children, or education. There will be speculations that brown coal will continue to be mined, and at an even greater rate, that many other Libkovice will be buried by the jaws of the giant excavators, and that a complete change of climate will ensue.

[Kucera] Then it is your feeling that journalists are against you?

[Klaus] Let us put it in a different way: Almost every decision by the government (and also by ODS) is interpreted negatively more often than not. If ODS gains one single position, let us say the position of an okres chairman, the press immediately starts talking about how ODS is strengthening its positions in the state administration. If ODS does not get that position, the press immediately launches a tirade about ODS losing again and relinquishing that position to someone else.

[Kucer] Are you trying to say that we, journalists, are making it more difficult for you to govern?

[Klaus] Anyone who could not accept and live with all the things I mentioned could not be a politician. I do not think that public opinion is against what we are doing. Rather, it is a kind of routine game to which we are subjected, and we must listen carefully and examine as many of the reasonable arguments as possible—and believe me, we do examine them—but at the same time we must not succumb to it.

[Kucera] However, your call for "constructive" journalism, which can be heard more and more often, sounds a little like a demand for the journalists to be less critical and rather to cater to the government and the strongest party....

[Klaus] I shall answer you with the words of someone else. Before our talk, I had an interview with two top journalists from the daily with the largest circulation in America and maybe even in the world, USA TODAY. They talked with me very pleasantly and during the interview I said wistfully: "If only our journalists talked to me like this. That would be nice and sympathetic, I would not have to give the impression of arrogantly dismissing questions." And they told me that they are in favor of constructive, not investigative journalism. I dream about the time when this type of journalistic work will predominate here. That of course does not mean that uncomfortable questions and journalistic pressure should disappear. A politician who cannot handle that should leave politics.

\* President Must Choose His Advisers With Care  
93CH0367D Prague LIDOVE NOVINY in Czech  
4 Feb 93 p 3

[Commentary by Petr Janyška: "A Team Worth More Than Gold"]

[Text] Balzac once wrote, "Power leaves us the same as we already are and only the great grow out of it."

Since the day before yesterday we have a president at the Castle who is head of state and cannot be removed for five years; something like a temporary, republican monarch. Despite the fact that he will need the prime minister's consent for many of his actions (the first would immediately be the amnesty) and despite the fact that in many cases it will not be easy to get it without some fuss, he will have considerable room for maneuver available.

If he is to move around in it without detriment and use it for the general good, he cannot make decisions just for himself and depend on his political instincts. It is indisputable that over the past decades V. Havel showed such instincts more brilliantly than anyone else, but the methods of the dissident have been overtaken by time and the president today operates in professional politics par excellence. Just as with science, politics has also long since become a team action. And even if the president is to play in it independently, as first fiddle, he needs a team of free spirits with whom he can explore the suitability of his actions and who will provide him with the various alternative courses of action and be a timely corrective force for him and a mirror held up to him—and by the way, under such conditions of loyalty and intimate closeness, that the more uncompromising the person, the better. In short, a group of his closest people who, through their independence of thinking, will be a guarantee for him that what is done once is done right and that will take the pulse of the times. These will be

coworkers who will not form an impenetrable wall around him and with whom he can avoid the unhappy faux pas of the recent times, such as, for example, the statement on the need for military intervention in Bosnia, which was not discussed beforehand with the Czech diplomats, or the not too gentlemanly (even if understandable) pronouncement that he has no one to thank for his election.

It does not matter much what title these people have. What is important is that they be there—they should already be there—and that the president realize that they are essential for his office. The idea that "professional officials" are sufficient is not the happiest of thoughts. Obviously, he will need his functionaries who will round up all kinds of information for him and present it to him in the morning all organized. Leaving aside the small matter of whether such top-flight officials even exist, it is as clear as day that if the president is to be kept well informed some of his aura must spill over onto his closest advisors. To make sure that I am being well understood: This does not mean that his people will have more real power than the members of the government. But no minister will take an ordinary civil servant seriously and simply will not provide him with confidential information.

Besides the purely official apparatus, however, the president, like every politician, will need people of unusual judgment who will propose a different perspective for him to perceive this information with. The idea is being put forward of some kind of Friday session, a regular meeting with independent minds of Czech society. In no case, however, can they supplant the daily work of a team that knows its way around the political corridors and is prepared to give their expert opinions in a flexible manner. The idea of some governing parties delegating some kind of corps of their representatives to the head of state, who could look out for him right in the anteroom, seems very unfortunate here.

How does the situation at the Castle look today? Poorly. The original team has scattered and the people who formed it for three years have either dropped out or grew into professionals and went their own way into the state administration and diplomacy after the abdication of head of state. A couple of them stayed at the Castle to wind things up, but they also intend to leave.

The chancellery has a radically reduced status, as the deputies have decided. This does not, however, change anything in the importance of how the closest circles around the president will operate in the next few years. For now, they are more than half empty and those that are there are not outstanding people, if the gentlemen freshly arrived at the Castle will allow me to say so without getting angry. We want to believe that this is not because the newly elected head of state through his vanity does not allow better minds to express themselves, or that he cannot stand to have different opinions around him.

\* Czech Ambassador on German Attitude Toward CR

93CH0367A Prague LIDOVE NOVINY in Czech  
28 Jan 93 pp 1, 8

[Interview with Jiri Grusa, Czech ambassador to Bonn, by Jana Smidova; place and date not given: "Interest in the Czech Republic Is Increasing"]

[Text] In answer to LIDOVE NOVINY's question as to how they evaluate the breakup of the federation in Germany, Jiri Grusa, the CR [Czech Republic] ambassador to Bonn, replied, "Germany responded to the change with some puzzlement, but it respects the decision and certainly will try to have a balanced policy toward both heirs of the federation. But just a cursory look at the map shows that one of them has a common border with Germany, and the other does not. This is certainly a geopolitical change, and, as the first indications show, interest in the CR is increasing."

[Smidova] Will you look on the diplomatic representation of the SR [Slovak Republic] in Bonn the same as, for example, the mission from Portugal, or will there be a certain amount of coordination with them?

[Grusa] That will depend on developments in the SR; Bratislava's position is more difficult, and Slovakia so far has no defined concept. They are looking at some hard work before they put themselves in a positive light. From the moment it was clear that the federation was breaking up, Slovakia focused attention not only on itself, but also on Gabcikovo and on its arms industry, on unpleasant memories from the last war. Instead of an attempt at diverting attention from them, it concentrated on them. Slovakia, moreover, is presenting an old play! Evil newspapermen, the evil Western press does not want to provide a positive image, which is a bad mistake in relation to the modern media, which is not directed by the state. Everyone learns his lesson, however, and soon they will look around. We feel ourselves obliged to help Slovakia in the diplomatic field, as far as it might wish it.

[Smidova] You referred to the growing interest in our new republic, but the demands of the Sudeten German associations are also growing for a revision of the postwar reality.

[Grusa] I would recommend to the Czechs that they finally start to deal with Germany as such. It is painful to see how this matter is currently overrated. Germany is more a world than a state; it is a federation of states and, at the same time, a power. None of its serious political forces has radical Sudeten German demands in its program. I do not wish to say that this is not an important question and that we should not look for some form of reconciliation with our onetime country. However, we do not need any reconciliation with Heinleinism, that defeated attempt at ethnical cleansing of the Czechs. We can discuss whatever is democratic within the spectrum of Sudeten German demands.

[Smidova] In the Czech Republic, we are looking with some fear on the Germans tightening up their asylum law because it could mean a flood of refugees for us.

[Grusa] This affects us psychologically because the promises of opening up Europe are proving to be part rhetoric. Germany must do something, of course, because it has become the target country for the flow of illegal immigration, which is abusing the legal provisions for asylum. There is no interest, however, in our instability. The Germans are expressing a willingness to discuss financial support, as well. I do not have the impression that these steps are aimed at us. Germany has designated the CR and Poland as part of the joint problem. They consider us to be a stabilized and compatible state, with good prospects for the future.

[Smidova] Does part of the public and the opposition fear a flood of German capital?

[Grusa] The Central European region was a unified economic area, where the nations of Central Europe operated economically. And the Czechs were part of that. It is in our interest to outline that territory again—Saxony, Bavaria, Bohemia, Moravia, Silesia, and Austria. Capital today does not have a national nature, and a pure national economy does not exist. The things we cannot allow in this small country are a provincial attitude, a lack of education, and bad diplomacy. A great power can permit itself a feeble foreign minister, but a small state must have a clever one.

[Smidova] Surely you will work for the newly formed state as its ambassador?

[Grusa] During the two years I have been ambassador, we have achieved some things, and no diplomatic blunders were made. I hope to continue with this. Our interests must be defined punctiliously and pursued broadly, not in the Czech bourgeois haggling manner. Europe is perhaps entering into a very complicated period. We need this government with this economic program, trust in sound currency, an upright back, and less hooliganism. Nothing more.

#### \* No Room for Bias in Czech-Slovak Trade

93CH0367B Prague LIDOVE NOVINY in Czech  
30 Jan 93 p 1

[Editorial by Karel Kriz: "Without Paternalism"]

[Text] From the legal standpoint, the joint state split apart on 1 January. It is only now, with the separation of the currencies and control of the new borders, however, that the division is becoming a fact. This is how it was in 1919 and it will be the same way now. It is only in this phase that the Czech-Slovak relationships can be put into the standard form that is in accordance with international practices. Understandably, the cooperation of the Czechs with the Slovaks will always be somewhat unconventional and closer in its methods, but the mechanism for these relations should in all its aspects avoid

experimentation. Unfortunately, at the highest levels of Czech politics we are again and again seeing attempts at improvisation in this direction and under the excuse of "maintaining the higher forms of cooperation" there are solutions being approved that are clearly harmful to the Czech economy. There is the danger that after the currencies are separated there will be an improvised agreement on balancing the accounts for the mutual claims and the intention of establishing a so-called stabilization fund for mutual trade.

Just what is involved here? A number of Czech enterprises now have considerable accounts due in Slovakia. According to the proposal, these claims will be paid by the Slovak entities after the separation in the same nominal amounts, but in Slovak korunas. And this will be the case even if the Slovak currency is devalued. After converting these to domestic currencies, the Czech enterprises would thus lose considerable sums. The Slovak claims in the Czech Republic would, however, for a change be paid off in Czech korunas. This is illogical and mainly entirely unfair.

The idea of a stabilization fund thus stems from the expectation of a considerable excess in the mutual trade balance in favor of the Czech Republic. The predicted payment agreement, based on so-called clearing account balancing, where after a certain time there is only the payment of the trade surplus by one of the parties, would come to life through this fund. In other words, the Czech side would partly pay for its own exports if the system were not to break down.

We could, of course, easily achieve a balance in the Czech-Slovak trade accounts if the Slovak currency is suitably devalued. As is well known, in 1990 no one also gave Czechoslovakia anything and, since it did not want to go deeply in debt abroad, it finally had to carry out devaluation three times. For Slovakia, we are now the foreign country and we must receive payment of the bills.

#### \* Victory of CSSD Moderates Predicted

93CH0367C Prague LIDOVE NOVINY in Czech  
4 Feb 93 p 3

[Article by Marek Wollner: "The Decision Will Come in Three Weeks"]

[Text] In the last few weeks, the Czechoslovak Social Democrats held their conference and took up the proposals for the program and the statutes. Last week in Brno the program council worked up a single document with alternative individual portions from the input texts that had been submitted. For the version of the Prague organization, which was designated a radical one, the characteristic features were an irreconcilable attitude of the CSSD [Czechoslovak Social Democrats] toward the governmental coalition (particularly the ODS [Civic Democratic Party]) and a preference for cooperation with the countries of Central and Eastern Europe in the

foreign policy orientation. On the other hand, the "moderate" opinion group in the ranks of the social democrats declared a willingness to meet the government halfway and to try to have the Czech Republic join the European structures.

The delegates to the national program conference this weekend in Prague decided that at the February congress in Hradec Kralove there would be material submitted that does not deviate from the traditions of a moderate opposition, which is trying to form a state, in the direction of the radical excesses represented by Milos Zeman. The balancing act of his left-swerving orientation, which does not shy from being friendly with the right-wing leaning governmental parties, guarantees that working out this text will be entrusted to the "moderate" representatives Ivan Fisera and Pavel Novak.

Jiri Horak gives as a reason for his decision not to be a candidate for the office of chairman at the upcoming congress the fact that he wants to give the other candidates for the chairmanship a chance to define themselves as well. This step does not, however, automatically mean that he is moving to the background. There still remains a possibility that the delegates to the congress will confirm Horak in the chairmanship (talks with participants at the weekend discussions of the CSSD who want the current chairman to continue to fill this office only supported this alternative). "I do not intend to be like General Sherman, who said that under no circumstances would he accept being a candidate for president—'If nominated, I will not run; if elected, I will not serve,'" J. Horak said about this. If the congress places the team of P. Novak and I. Fishera in the party leadership with their concept emphasizing a constructive approach to the solution of problems, Horak is the closest to their hearts and the current chairman could fill one of the top offices in the CSSD organization. That is, if he really does not decide to return to the United States after his incident with the owner of the house that he is living in (the owner refused to approve a swap of apartments for J. Horak for reasons of his political membership).

The other pair of candidates for the chairmanship are the representatives of the so-called radical wing) of M. Zeman and P. Miller. According to the results of the Prague program conference, which in essence rejected their alternative proposal for a program, the radicals' prospects for the upcoming congress are not at all hopeful. To the detriment of this opinion group, they cannot change anything either in the repressing formulation of the party's vice-chairman Petr Moravek on the indivisibility of the individual "inputs" of the final document, or the announced satisfaction of the chairman of the Prague organization Milos Zeman with the results of the negotiations.

The final word of whether the social democrats are getting rid of the stigma of a discussion group—which a certain number of the citizens (totally unjustly) connect in part with the KSCM [Communist Party of Bohemia and Moravia] and in part with curious figures of the M.

Zeman or V. Komarek types—will, however, come only in three weeks at the 26th Congress of the CSSD in Hradec Kralove. We should also wish that even they bring about their rebirth in the form of an opposition party offering realistic alternative approaches, thus providing a counterbalance to those who currently must bear the burden of responsibility.

#### \* Controversy Surrounding License for TV Channel

##### \* Cermak's Comment

93CH0392A Prague TELEGRAF in Czech 2 Feb 93 p 3

[Interview with Petr Cermak, executive deputy chairman of the ODS, by Pavla Gruenthalova; place and date not given: "Are Bankrupt Politicians Controlling Television? Sharp Disagreement With the Granting of a License"]

[Text] [Gruenthalova] Mr. Deputy Chairman, what do you have to say regarding the granting of a license to the CET-21 [Central European Television for the 21st Century] Corporation, Ltd., for television broadcasting?

[Cermak] I absolutely and essentially disagree with the decision made by the Council for Radio and Television Broadcasting. I believe that this is an absolute catastrophe and that matters cannot end up this way. I literally protest, and it is a protest with a capital P, against the way this decision was made. The council politicized the entire problem and attempted, through its deputy chairman, to blame the entire matter of politicization on the ODS [Civic Democratic Party]. I can state with responsibility that I do not even know the names of those who were to be added as members to the Council for Radio and Television Broadcasting. I believe that the council made its decision so rapidly that some of its members did not want anyone who was new to gain an insight into its methods of decisionmaking. For me, as a citizen of the Czech Republic, it is absolutely unacceptable for the main communications media, such as television, to be controlled by bankrupt politicians who are, more or less, the reason behind the many problems that we have, and that, to top it off, come from Slovakia.

I am against a high-ranking exponent of the Civic Forum, which totally lost out in the elections, becoming one of the principal members of this corporation. I am fundamentally opposed to having a person who was dishonorably discharged from the U.S. diplomatic service having any kind of interest in our social life. I fundamentally demand that any additional connections, particularly financial ones, be clarified here. I emphasize again that I am in absolute disagreement with this decision and that I shall do everything to bring about a change in that decision. For me, the entire matter represents a fundamental threat to democracy and possibly even to the substance of this state.

\* Distrust of CET-21

93CH0392B Prague LIDOVE NOVINY in Czech  
2 Feb 93 pp 1, 8

[Article by (jis, jaf): "Passions Surrounding the License—Lack of Confidence in the Central European Television for the 21st Century?"]

[Text] The decision by the Council for Radio and Television Broadcasting to grant a license for across-the-board television broadcasting on the CT-2 circuit of the CET-21 (Central European Television for the 21st Century) Corporation, Ltd., has given rise to agitated reactions, not only among the authors of competing projects, but also among the representatives of individual political parties.

The declaration by the ODS [Civic Democratic Party], signed by P. Cermak, expresses disapproval "of the hasty decision" and recommends that this decision be reexamined following expansion of the council. Marek Benda (KDS [Christian Democratic Party]) considers this decision to be a shameful provocation. "We shall, undoubtedly, elect three additional members of the council. The change in the ratio of forces will then perhaps bring about even a change in the decision by the council." Delegate Ondrej Zemina (ODS) believes that the council completely disregarded the fact that Mr. Palmer, who is supposed to finance this television corporation, is persona non grata in Hungary. Jan Kasal (KDU-CSL [Christian and Democratic Union—Czech Liberal Party]) considers the decision by the council to be lawful.

"We are not connected with any political party, any journal, or with any other communications medium," noted Vladimir Zelezny, a representative for the victorious corporation, at yesterday's press conference. Regarding the financial coverage of the project, he stated that the Czech State Savings Association and the Canadian-U.S. Corporation for the Development of Central Europe (CEDC) are participating, something which he considers to be advantageous in view of any possible domestic financial shock. As an applicant for a license and a guarantor regarding the fulfillment of the strict conditions for its granting, the CET-21 Corporation intends to retain its decisive influence with regard to programming and personnel questions.

Vladimir Zelezny was furthermore sharply critical of the manner in which the CET-21 Corporation was being depicted, particularly with emphasis on Mark Palmer, of the CEDC partnership corporation, who was present, in the Sunday newscast over Czech Television. The former close collaborator of President Reagan, who is the author of the legendary presidential statement regarding communism as the Evil Empire, confirmed Zelezny's words. Additional collaborators of the CET-21 Corporation who introduced themselves were the sociologist Josef Alan, president of the ambitious Film and Sociology Endowment, and Vlastimil Venclik, reading secretary of FITESU [Union of Czechoslovak Film and Television Artists], who informed those present regarding his early

departure from the above-mentioned function. Alena Muellerova, program director for the KF Corporation, which was also vying for a license, publicly denied any claims made during yesterday's MF [Mlada Fronta] Dnes program. Vladimir Zelezny confirmed that the CET-21 Corporation did not feel any tension emanating from the KF Corporation and that no contacts with the competition occurred prior to the public hearings.

\* New Members Elected

93CH0392C Prague LIDOVE NOVINY in Czech  
4 Feb 93 p 3

[Article by (jis): "Review of the Television License? Petr Cermak Says They Erred and Should Resign"]

[Excerpt] Prague—Three remaining members of the Council for Radio and Television Broadcasting for elected yesterday by delegates in parliament. They were Leopold Hajicek (KDU-CSL [Christian and Democratic Union—Czech Liberal Party]), a producer and documentarist (who had, among others, also worked for Radio Free Europe), Vladimir Mlatecek (no party affiliation), director of an Ostrava advertising agency, and Oldrich Tomek (no party affiliation), an employee of the Ministry of the Interior.

The recent decision to grant a license for television broadcasting to channel CT-2 will be a topic of discussion during the coming week between members of the council and delegates in parliament. "The decision was made autocratically and deliberately," said Petr Cermak yesterday. In his opinion, the council should admit its mistake and its members should resign from their offices. "In view of the fact that the council will obviously not take those steps, the ODS [Civic Democratic Party] is considering methods for revising its decision," added P. Cermak. "I am a Czech and I am proud of it. Therefore, I am unable to be reconciled with the fact that the license for universal television broadcasting was granted to a foreign firm which includes in its management former members of the leadership of the state which seceded from the Czech Republic, a representative of the Hungarians, and a representative of the movement which lost in the elections." [passage omitted]

\* Gal's Explanation

93CH0392D Prague TELEGRAF in Czech 4 Feb 93 p 3

[Interview with Fedor Gal, former chairman of the defunct Slovak Public Against Violence Movement now in exile in Prague, by Jan Decker; place and date not given: "The CET-21 Corporation Will Not Be a Monster"]

[Text] Most likely, the most discussed cultural event in recent days is the granting of a television license to the

*CET-21 [Central European Television for the 21st Century] Corporation. We therefore asked one of the founding members of this corporation, Fedor Gal, about its history and its plans.*

[Decker] After the CET-21 Corporation was granted a television license, the CTK news agency published information indicating that you are one of the partners. We would, therefore, be interested in learning the extent to which you are involved in the corporation and what your role in it is.

[Gal] There are six founding members of the CET-21 Corporation, a corporation with limited liability, and I am one of them. Until we applied for a license, our roles were identical. We consulted with specialists and maintained contacts with Mark Palmer. As of the time we were granted the license, the situation has changed. The first problem which we all have is to master the interest of the public in this topic. Furthermore, we need to define our roles. It must be said that no one is preordained to carry out any kind of functions merely because he is a founding member of the corporation.

[Decker] Does this mean that the general director or manager of the corporation need not be a founding member?

[Gal] To the extent to which this is to be a functioning corporation, there is only one way, and this involves professional selection in a competitive environment. It is never out of the question that a manager who will be far better than us may show up. Every capable individual had an opportunity.

[Decker] What chances for success did you see when you decided to join the corporation and what chances for success do you see now that the license has been granted?

[Gal] I am not a naive person. In the beginning, I actually did not believe in success too much because I was able to realistically visualize the competition we would be encountering and what kind of people would be applying for a license. The moment we obtained our license I realized that, as of that moment, we had no choice other than to work. I expected that the public would accept this. I was therefore very surprised to hear Mr. Cermak, whom I consider as being politically highly unprofessional, and I fully hope that this is not the position of the ODS [Civic Democratic Party]. (This position was printed in TELEGRAF on 2 February 1993—editor's note.) In that regard, I would like to state that it is not possible, even if the intention were there, to lead a campaign simultaneously against Hungary and against Slovakia. Furthermore, it is not possible to conduct such a campaign with the assistance of a television station which does not carry beyond the territory of the Czech Republic. Finally, it is not even possible to make the CET-21 Corporation into some kind of a central European broadcaster and at the same time attack two central European countries. I am also upset by the old/new attacks against me personally because I was born in Bohemia, I live here, and I work here. The same is also

true of Petr Krsak, who has lived here for 17 years already. In these situations, I must ask where the ballyhooed words regarding a civic society are? The contention that I am a bankrupt politician is also very peculiar because I departed politics voluntarily and have held no political position for two years now.

[Decker] How did the corporation come into being and where did the signal come from?

[Gal] One day, I met with Peter Huncik and Petr Krsak. We felt that it would be excellent if we were to utilize such an opportunity. We, therefore, began immediately to search for people who might be capable of creating such a corporation and bringing it to life. And so, Vlastimil Venclik, chief of FITESU [Union of Czechoslovak Film and Television Artists], turned up, as did Vladimir Zelezny, who had come into contact with television in his professional activity, and Josef Alan, who is an outstanding sociologist and one of the leading personalities in the Film and Sociology Endowment.

[Decker] I expect that the project is very likely a collective effort on the part of the founding members; what is your share?

[Gal] It is true that the project is a collective work, but each project has its leading personality and, in this case, this was Vladimir Zelezny. I personally was working on the concept of the center which should be monitoring actual social events.

[Decker] Is this then the announced specialty—a rapid sociological opinion poll which is to be broadcast on a daily basis?

[Gal] Yes, but it is necessary for it to be conducted with full professionalism and that is my job.

[Decker] What are your immediate plans?

[Gal] I realize that all my strength must be devoted to this project and that is why, as of 1 March, I am taking a one-year unpaid sabbatical. I am interested in seeing to it that, within the year, there should be professionally functioning television, because if that does not happen we will have failed. I would like to be present when the mechanisms of qualified management selection and organizational structure are safeguarded. I would also like to be present when program offerings are being judged. We must come to terms with conditions which are imposed on us by the council and which will surely be very tough. Failure to adhere to these conditions could lead to revocation of the license. However, we shall not permit that to happen and we are prepared for the conditions.

[Decker] How many people will be working on this television channel?

[Gal] I have stated clearly that television will not be oriented toward production, but that it will make use primarily of the potential inherent in Czech creative artists. Of course, publicity and news programs will be

created by another method. In any event, this will not be a large monster, but will employ approximately 300 people.

\* U.S. Embassy Comment

93CH0392E Prague LIDOVE NOVINY in Czech  
5 Feb 93 p 3

[Article by (jas): "U.S. Ambassador Welcomes License for CET-21"]

[Text] Prague—"I am pleased by the fact that a Czecho-U.S. corporation prevailed in the competition for a broadcast license over television channel CT-2," said U.S. Ambassador A. Basora yesterday on the occasion of the opening of the U.S. Cultural Center in Prague. He considers this fact to be a positive signal for foreign capital striving to make investments in the Czech Republic where, according to him, domestic and international interests have the same chance today. The chairman of the Council for Radio and Television Broadcasting, D. Korte, considers the remarks by A. Basora to be "the end of conjectures regarding the person of M. Palmer, who will participate in the CET-21 [Central European Television for the 21st Century] project." V. Zelezny, who submitted the CET-21 broadcasting concept, welcomed the words of A. Basora with pleasure and added that they document the fact that the United States is a country that has a mature democratic system.

\* U.S. Position Discussed

93CH0392F Prague LIDOVÁ DEMOKRACIE in Czech  
6 Feb 93 p 1

[Article by (ska, dne, ire): "The United States Has No Desire To Be at the Center of the Dispute"]

[Text] Prague—Yesterday, the chairman of the parliament Commission for Communications Media, V. Koronthaly, speaking in conjunction with the proclamation of U.S. Ambassador Adrian Basora regarding the granting of a license for television broadcasting on channel CT-2 to the U.S.-Czech corporation known as CET-21 [Central European Television for the 21st Century], said: "Revocation of the license could be considered if it were determined that, in granting the license, the law had been violated or if CET-21 fails to sign the agreement on conditions which will be imposed upon it by the Council for Radio and Television Broadcasting. If we were to find out that the conditions did not reflect the project and were not in line with what was heard at the public hearings, we would consider that to be a bad signal." Responding to the question as to whether the possible withdrawal of the license would not lead to damaging Czecho-U.S. relationships, J. Koronthaly said: "I would not like to approach this from this particular point of view. What is important is what is happening from our standpoint, with regard to our citizens. The relationship with any kind of foreign country is not of

principal concern in this case. On the other hand, it is a reminder that we should not engage in any legally tainted attempts at revision."

According to information obtained from circles close to the U.S. Embassy, a revocation of the decision made by the council would become a negative signal for further U.S. investment and the Czech Republic would be introducing itself abroad in a poor light. The council, which was elected by parliament, made its decision in accordance with stipulated rules and ruled in favor of the CET-21 Corporation, which fulfilled the conditions for selection under the supervision of British experts. According to the source, who did not wish to be identified, the revision of the independent council decision would be considered as being "unfortunate." As we were told by an individual close to the U.S. ambassador in the Czech Republic, the United States has no intention whatsoever of entering the debate as to whether the Czech members of the CET-21 Corporation are acceptable to the United States or not. (The individuals involved are Josef Alan, Fedor Gal, Peter Huncik, Petr Krsak, and Vlastimil Venclik—editor's note.) The United States has no intention of being at the center of any conjectures involving the ODS [Civic Democratic Party] and any other political parties; it does wish, however, to support investors from the United States. Information which has been published in some media regarding the person of Mark Palmer is considered by the U.S. side to be "distorted and not completely accurate."

In his Thursday speech, the U.S. ambassador in Prague, Adrian Basora, expressed his pleasure over the fact that the project of the Czecho-U.S. CET-21 Corporation was selected from among 26 competing projects for the privatization of channel CT-2. According to him, the decision by the council, which was the result of public hearings and was transparent for all to see, indicates that the Czech Republic is a state of law where the same rights apply to everyone. "This is a good signal for investors and a good signal for the free media," Ambassador Basora said in his speech.

\* Alternatives Viewed

93CH0392G Prague SVOBODNE SLOVO in Czech  
6 Feb 93 p 1

[Commentary by Jaroslav Bocek: "On the Fight for Television"]

[Text] The decision by the numerically incomplete Council of the Czech Republic for Radio and Television Broadcasting to grant a license for the operation of former television channel F-1 to the CET-21 [Central European Television for the 21st Century] Corporation, a corporation with limited liability, has brought about another in the political scandals in which we are so rich. Various newspapers and various parties express their opinion on this matter. But the matter has yet a deeper and more general side which has, for the time being,

disappeared in this general debate. And this is the role of the public communications media in a democracy.

We live in the era of television. According to research done by sociologists, television influences the public about 80 percent of the time and all of the press and radio combined exert their influence for 20 percent of the time. Today, political scientists know that in order for a program of a political party to succeed it is not so much decisive as to what kind of a program it is, but who presents it and how it is presented. That is why every political grouping thinks about whether its representatives are what I would call "television photogenic." Whether they are capable of coming across to viewers—and, therefore, to potential party members and voters—in a confidence-creating manner, attractively, and sympathetically because, in this game, it is not only the strength of arguments which is decisive, but personal magic as well. Thus, politics are far more personalized than used to be the case and is sucking into itself elements of "show business." For political groupings, it is therefore important for their personalities to have the opportunity of appearing on television and of introducing themselves as well as their program.

From this, it follows that every decision regarding a television license is already, in and of itself, a political decision. It is, therefore, not true that the decision of the council was not politicized until Petr Cermak, deputy chairman of the ODS [Civic Democratic Party], rejected it. It was a political problem even before that time and it remains a political problem on the basis of its very essence.

Ownership of a television license is a particularly burning problem in a country whose population is not very large, such as ours, where, in view of the cost involved, it is possible to support a maximum of three television channels. Every owner, by the very fact of ownership, assures himself of tremendous political influence. This influence is incomparably greater than that exerted by any owner of a television channel in the United States, which has innumerable channels and their influence is mutually canceled out and balanced. This is because in the United States real plurality exists.

In Europe, we have our experiences involving political control of the decisive communications medium. Before assuming power in Germany through a plebiscite, Hitler controlled the radio. And similarly, one of the prerequisites for the Communists to be able to conquer Czechoslovakia in 1948 was control of the radio which they had held in their hands in practice since as early as 1945. And, in contrast, they lost the monopoly of power the moment representatives of the Civic Forum succeeded in penetrating into television and of gradually prevailing on television in an express manner.

The idea of state radio and state television has been adequately discredited in Europe as well as in our country. In a democracy, it is then undesirable on the basis of principle. Because "state" in this case tends to

equal "government." And the experiences of all democratic countries indicate that the government has sufficient other means for disseminating its ideas so that it does not need to own television and radio. To function properly, democracy requires independent communications media that would control the government, which would hold up a mirror to it.

This is why the theory of privatizing television prevailed. I have nothing against it if we were living in such a large country as the United States. But in a small country, where there is not sufficient free capital, privatization must obviously count on the influx of foreign capital which, whether we like it or not, will be promoting its political interests which need not be in accord with the interests of the country and its citizens at all. If we embark upon this road, then we shall permit the most powerful means of political influence to get into the hands of someone whose actual intentions we cannot even estimate.

And yet, a third solution exists. Television as a legitimate public medium of communication. In Western democracies, this solution has proven itself. And most of all in Great Britain, where the BBC as a legitimate independent public medium of communication has become one of the pillars of British democracy. Its giant authority is given by its actual independence and by its many years of promoting objective news reporting and enlightened commentaries. Its institutional and actual independence is overseen by the Council of the BBC, composed of independent personalities which enjoy general respect, not on the basis of their function, but on the basis of their actual personal merit.

The objection can be raised that this is Britain, which has a deeply ingrained democratic culture. And that, therefore, a similar solution is not possible in this country because our level of political culture today is very low. And finally: It can be said that such personalities which would guarantee independence do not exist.

I believe that they do and that it is precisely thanks to their independence that they are not participating in the general political uproar. I could name at least 20 such individuals.

And what about the first objection that we do not have a sufficient level of political culture?

That is true, but someone must begin improving this political culture, and precisely this would be a magnificent and promising beginning.

#### \* Central European Free Trade Agreement Discussed

93CH0373C Prague EKONOM in Czech 4-10 Feb 93  
p 13

[Article by Jan Svehlik of the Foreign Trade Department of the Czech Ministry of Industry and Trade: "At the Center of Attention: Central European Free Trade Agreement"]

Toward the end of last year, negotiations on the Central European Trade Agreement between the Czech Republic, Hungary, Poland, and the Slovak Republic ended. The agreement, which was signed in Krakow, Poland on 21 December 1992, provides easier access to the domestic markets of the contracting parties and thus creates the essential basis for increasing trade among us.

We can name at least three main reasons that motivated us to negotiate this agreement:

—Mutual trade among the four neighboring countries, if only for that very reason, has played a relatively important role in their economies. Hungary and Poland have traditionally held first place in the territorial structure of CSFR foreign trade. For example, in 1991, when the CEMA markets began to disintegrate, the turnover in mutual trade exceeded \$2 billion.

—After negotiating the associate membership agreements with the EC and the agreements on free trade with EFTA [European Free Trade Association], a somewhat paradoxical situation arose, when the country of the Visegrad Four provided more preferential trade conditions to EC and EFTA countries than to each other.

—A mutual lowering of customs duties and the loosening of other barriers to trade among the countries of the Visegrad group will play an essential role in the process of developing export activities of individual firms and entrepreneurs.

To make the case complete, let us add that the share of Hungary and Poland in the total volume of CSFR exports reached 11.6 percent. (To compare, the EFTA share was 8.8 percent.) In spite of the decline in trade with Poland in 1992, the share of both countries in Czechoslovak exports for the period between January and October was 9 percent. (To compare, the EFTA share was 10.9 percent.) At the same time, we succeeded in maintaining a balance-of-payments surplus, the surplus being achieved by both the Czech Republic and the Slovak Republic.

What is the basic concept of the agreement? The Central European Free Trade Agreement will go into force, or, rather, be applied on a preliminary basis, on 1 March 1993. During the course of the preliminary period, the boundary of which is 1 January 2001, a complete removal of customs duties and other barriers to trade with industrial goods will be carried out. In view of the specific nature of agriculture, a total liberalization of trade with agricultural products is not contemplated.

Obligations arising from the basic text of the agreement have a multilateral character; the documents of the customs licenses are bilateral. The agreement on forming a customs union between the Czech Republic and the Slovak Republic enabled both republics to enter into these obligations jointly.

In practice, the liberalization of trade with industrial products (chapters 25 to 95 of the customs rate schedule) will take place in stages, according to product groups.

The first group includes the so-called least sensitive products, for which protective tariffs will be abolished on the date the agreement goes into force. These are, for example, the following items: organic and inorganic chemicals, heating equipment, pharmaceutical products, wood products, printing presses, television screens, sporting goods, selected machinery products, and others.

The second group comprises products of medium sensitivity, for which protective tariffs will end in the middle of the transitional period—that is, on 1 January 1997. They are, for example, heavy current electric equipment, control systems, aircraft industry products, ceramic products, navigational equipment, selected machinery products, chemical industry products, chemical raw materials for textile industry, and others.

For the items of medium sensitivity, full tariff protection will be maintained until the end of 1994, in 1995 two-thirds of the original customs rate will be applied, and in 1996 one-third of the original of customs rate.

The third group contains the most sensitive items. In this case, the cancellation of protective tariffs is expected only at the end of the transitional period. In question are, for example, selected kinds of metallurgical and rolled materials, transportation equipment, selected textile products, and selected footwear.

The removal of tariffs from the most sensitive items will proceed at the slowest pace. Full protective tariffs will be retained until the end of 1994, 90 percent of the customs rate will be applied in 1995, and, in the following years, the customs rate will be reduced by 15 percent in each successive year.

As far as nontariff barriers are concerned, the contracting parties agreed that, for export, they will be totally removed by 1 January 1997 and, for import, by the end of the transitional period.

An integral part of the agreement are the rules concerning the origin of goods, including the conditions for cooperation between the customs agencies of the contracting parties.

The basic goal of the agreement is to provide a strong stimulus to trade in the Central European region. For that reason, the Czech Republic has repeatedly called for a shorter transition period because it rightly thinks that the removal of tariffs and other trade barriers during a period lasting until 2001 is too drawn out. Its longtime initiative met with success in Krakow, where the partners were persuaded to accompany the agreement with a joint declaration, binding the contracting parties, immediately after signing the agreement, to begin negotiations on shortening the transition period to a maximum of five years.

The liberalization of access to the markets of the Czech Republic, Hungary, Poland, and the Slovak Republic must be thought of as a continuing process. We can only wish that entrepreneurs and firms of the signatories will make maximum use of the advantages the negotiators will negotiate in each individual stage.

#### \* Economic Stabilization, Growth Discussed

*93CH0395C Prague EKONOM in Czech 4-10 Feb 93 pp 22-23*

[Article By Ruzena Vintrova: "Stabilization and Growth"]

[Text] *The transition from macroeconomic stabilization to the beginning of economic growth is not, in view of the limiting factors, easy. The effects of the macroeconomic policy thus far, the influence of the state of the economy on its adaptability, the real results of the adaptation, and possible long-range problems of adaptation are discussed in her article by Eng. Ruzena Vintrova, Dr.Sc., of the Forecasting Institute of the Czechoslovak Academy of Sciences.*

Empirical analyses confirm that the first trio of pioneering countries—Poland, Hungary, as well as the former CSFR—have the “steeply descending part” of the transition from the centrally planned economy to the market economy already behind them. In Poland and CSFR the biggest changes took place during the course of two years, in Hungary the entire process of the transformation was more spread out. Nevertheless, at present a certain threshold of decline has been reached everywhere, and some signs of revival are beginning to manifest themselves. Cumulatively, the severity of the drop in industrial production in the mentioned countries during the past three-year period does not differ very much, everywhere the volume of production declined roughly to two-thirds of what it was to begin with. Greater differences in the dynamics of the decline can be noted in the gross domestic product, which fell in 1991 against the prereform year 1989 by 23 percent in CSFR, by 21 percent in Poland, and in Hungary, thanks to the more gradual adaptation, only by 16 percent. During the past year the decline already has sharply moderated. It was 8 percent in CSFR, in Poland and Hungary 2 and 3 percent respectively.

#### Exogenous and Endogenous Factors

Arguments about theoretical clarification differentiating the influence of exogenous factors of a transformation crisis and the influence of endogenous factors in the implemented transition strategy will be going on among the various theoretical schools for a long time to come. Only on the basis of practical experiences with a different degree of success of various economic policies will it be possible to say which one is right.

From the professional standpoint, the division of CSFR offers economists dealing with the incipient theory of transformation an entirely new, historically unique

opportunity. However economically irrational in reality the breakup of the existing state was, from the viewpoint of gaining knowledge the comparison of results achieved by different economic policies may help to answer some disputed questions on the possibilities of an automatic transition from stabilization to growth, the influence of state intervention on the relationship between economic growth and inflation, and many others which today are the subject of controversy between the neoliberal and post-Keynesian theoretical schools. “Keynesian measures” such as stimulating initial investment and development of the more labor-intensive branches will most probably be the content of the economic policy of the Slovak Republic. Support of the investment climate should not be foreign to the Czech Republic either, which at the same time will obviously give preference to instruments of monetary policy. The economy, of course, is not a laboratory where it is possible to first eliminate heterogeneous matter and influences. A comparison of the Czech and Slovak republics, whose economic policy will undoubtedly be different—after all, it was also one of the reasons for breaking up the common state—will be greatly complicated by their different starting situation.

The influence of the starting conditions is often forgotten in making comparative analyses which evaluate the results of the transformation in the countries of East and Central Europe. The stabilization in CSFR is evaluated as a bright point in the turbulent process of transition from the centrally planned economy to a market economy. On this, the conclusions of many important international institutions and respected experts are in agreement. Prof. Jan Svejnar in his article in EKONOM No. 49/1992 considers these results “the first convincing proof that stabilization of postcommunist economy is possible.”

The former CSFR had the lowest inflation of all the postcommunist countries, roughly 1 percent a month in 1992. At the same time—paradoxically from the standpoint of textbook knowledge about the market economy—it also registered the lowest unemployment rate. Toward the end of 1992 there were 400,000 people without jobs while the unemployment rate was about 5 percent, which is way below the average for the OECD countries. It is, of course, known that this was due to the decline in employment being held back. The decline in no way parallels the decline in production, and this was achieved at the cost of labor productivity. The increase in the unemployment rate was merely “postponed” till after the privatization and a real adjustment in the microsphere takes place. The results of the balance of payments were also relatively favorable in CSFR. The credit balance of the current account in convertible currencies reached \$356 million in 1991, in the third quarter of 1992 it was \$895 million. These results were influenced by the much more severe devaluation of the currency in 1990, which far exceeded the depreciation of the currencies in the neighboring countries undergoing transformation.

### Favorable Starting Conditions

In evaluating the success of the stabilization in CSFR and how it compares with other postcommunist countries, great emphasis is placed on the influence of the macroeconomic policy that insisted more firmly on balanced public budgets and especially on strict monetary policy implemented during the first few months following the price jump. These facts certainly had a very significant influence on the favorable inflation growth. But the influence of favorable starting conditions in the macroeconomic balance should not be neglected.

In contrast to Poland and Hungary, CSFR had in the beginning period a lower foreign debt. Those not quite \$8 billion of gross indebtedness in convertible currencies represented 15 percent of GDP, and was roughly equivalent to the annual volume of exports, whereas in Poland and Hungary the share of indebtedness in the GDP was 60 and 70 percent respectively, and in relation to exports, it was five times as much in Poland and two and one-half times as much in Hungary. Also, the overall balance in the consumer market, including the market in foodstuffs, and a more or less balanced state budget represented a great starting advantage for CSFR.

The Czechoslovak economy was in a more favorable starting condition from the standpoint not only of the external and internal economic equilibrium, but also from the standpoint of the overall economic level, which surpassed the countries being compared by 20-30 percent. This factor was the reason why, in spite of the considerable decline of the population's real income, no

broad strata of people fell below the living minimum. It made it easier to overcome the transformation crisis without any great disruption of the social contract, at least in the Czech Republic. However, the harsher impact of the transformation crisis in Slovakia strongly contributed to the unravelling of the consensus between the two republics and the breakup of the state.

Macroeconomic stabilization, which means maintaining a tolerable inflation rate and guaranteeing a healthy currency, is a condition so essential to a continuing successful development of the market economy that for its sake it is even necessary to sacrifice a considerable part of economic output and consumption by the population during the transition period. This aspect was very strongly applied in our economic policy. It is debatable to what extent it would have been possible under the given conditions to prevent the great losses which the former CSFR suffered by giving another direction to the economic policy. Such debates can have their importance as an experience for others who will travel the road of transformation. But we cannot return our situation back to the starting point.

### Decline and Revival

Let us therefore start with the conditions that were created in the Czech Republic for the transition from stabilization to growth. The decline reached bottom obviously already toward the end of 1991, when in the fourth quarter the GDP was one-quarter lower than in the same period of the previous year. Since then the GDP has been practically flat. (See Table No. 1)

**Table 1**  
**Development of GDP in CSFR (1990-92) in Quarterly Cross-Section**  
**(in billions of korunas, comp. prices to 1 January 1994)**

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
1990	172	183	178	194	727
1991	167	159	140	145	611
1992	143	142	134	141	560

*Source: Bulletin of the Federal Office of Statistics; third and fourth quarters and year 1992 preliminary educated estimates.*

The supposed beginning of a revival can so far be substantiated with difficulty only as a lasting tendency, as is also confirmed by the sober report of the former Federal Finance Ministry on meeting the federal state budget. Certain signs of revival on the supply side can be seen in services, especially trade and tourism, and also in construction, where, of course, the decline was even deeper than in industry so that the distance remaining to reach the starting level still remains great. Industrial production is held in preprivatization captivity and is not showing a revival of any significance.

The rise in demand on the consumer market, given by the increase of real wages and purchases of foreign tourists, is not so much supporting domestic industrial production as it does increased imports (the expected rise in consumer spending in 1992 is about 10 percent,

after falling by one-third in the previous year). Whereas in 1991 there was a high surplus of exports over imports, in 1992 the opposite will be true. To a certain extent this is a repeat of the situation at the end of 1990, when in anticipation of the devaluation there was an acceleration of imports, exports were held back, and in anticipation of inflation people increased their stockpiling purchases. The expected price increases resulting from the introduction of the value-added tax had the same effect. The revival of consumer demand at the end of 1992 could well be replaced by a decline in 1993. Acceleration of import and slowing down of export during the existence of common currency can be expected from Slovak enterprises.

The transition from stabilization to growth therefore will not be spontaneous or easy by any means. Especially in

the industrial production it will depend on the change of entrepreneurial behavior expected after the privatization. The effectiveness of the stimuli influencing the management of state enterprises and their adaptation will still play an important role, which should not be underestimated or neglected. The measures of the monetary and fiscal policy are shifting from positions at first restrictive and then neutral to moderately expansive at least in some aspects. A shift to economic growth is becoming one of the priorities of the economic policy.

### Short-Term and Long-Term Adaptation

In this connection, it is important to describe the character and phase of the adaptation from the viewpoint of real economy. In the first phase of adaptation, in which we find ourselves, the point is to adapt the existing factors of production, i.e., make use of people's qualifications and existing production capacities, not to undertake actual restructuring which requires changes that cost more money and time, i.e., retraining and especially new capital investments. Utilizing latent potential for more efficiency provides considerable scope, and in addition, marketing goods on new foreign markets has been made easier by the drastic devaluation of the currency which at the given moment made it possible for even the less perspective enterprises to export. By slowing down the growth of wages while keeping strict monetary policy, our "dollar" or "mark" level of wages became lower than in Hungary (by 40 percent) and Poland (by 20 percent). These facts made the initial adaptation easier and enabled us to stop the economic decline. But they did not yet create the prerequisites for a permanent increase of competitiveness in the medium-term and long-term criterion.

Following the decline in domestic demand and the loss of eastern markets, some products of the consumer industry (textile, wage labor in ready-to-wear), and especially raw and processed materials (rolled materials, wood, basic chemical products, etc.) were easily shifted to Western markets, as long as the local producers did not begin to apply protectionist measures. Much more difficult is to find replacement markets for final machinery products.

Short-term adaptation was necessary in order to create conditions for the restructuring proper, which is still ahead of us. Its realization may be, in view of the existing "quality gap" between our production and that of the advanced world, accompanied by a further drag on the growth of the overall volumes of production.

In our country existed the greatest deformations in the production structures of all the European countries in the former CEMA. Here was the greatest overcapacity in industry in general and heavy industry in particular

(steel production exceeded the production in Great Britain), the greatest energy and material intensiveness, enormous price deformations (in contrast to, for example, Hungary, where price relations were being adapted to world prices since the seventies). The restructuring to new market conditions in the world and at home will therefore be especially demanding. It will be connected with big changes in relative prices, the extent of which will exceed the situation in the neighboring countries being compared. For the time being, relative prices have changed in favor of the raw material and energy branches not only because of the more expensive imports, but also because of the pressure of domestic monopolistic producers who have been driving the prices of domestic resources to the level of the competing imports. The resulting structural changes during the course of the first two years were a one-third growth of the already high share of branches of primary industry and basic intermediate products, and a steep decline of the share of the processing branches. This trend continued last year.

### Effects of Devaluation

The drastic devaluation of the Czechoslovak currency in 1990 made the initial adaptation easier. But it postponed a more lasting solution, which is still awaiting us. The extent of this problem can be judged from the enormous spread between the market exchange rate of the koruna and the parity of its buying power. The quantification of this relationship can be a matter of controversy, because reliable calculations of the buying power parity are not yet available. In the "Plan Econ Report No. 38-39," published by J. Vanous in Washington, DC, the parity of the market exchange rate of the koruna (so-called coefficient ERDI-Exchange Rate Deviation Index) is given at 2.6, whereas for the zloty and forint this spread is only 1.6 (fall 1990). The koruna was strongly undervalued by the series of devaluations in 1990. Therefore, even after its realistic revaluation, which took place in January 1991 (in view of the price jump and more inflation under way while there was a fixed exchange rate), ERDI remains exceptionally high.

Preliminary results of the ECP (European Comparison Project) demonstrate the buying power of the koruna, measured by the so-called international shilling ATSi for the year 1990, when the buying power of 1 ATSi equalled Kcs.40 for the total GDP and Kcs.37 in personal consumption. If we adjust these data by the developments in prices here and in Austria during the period 1991-92, we arrive at the ratio 1 ATSi equals Kcs0.60 to Kcs0.70 for 1992. The market exchange rate of ATSi fluctuates around Kcs2.5. On the basis of these calculations, ERDI would be at a level between 3 and 4, therefore substantially higher than in the data given in the "Plan Econ Report."

**Table 2**  
**Share of Groups of Branches**  
**in Goods Production of Industry**  
**(in percent of current prices)**

	1989	1991
1. Primary production and basic intermediate products	31.5	46.4
2. Machine tools and electrical industry	29.0	25.8
3. Other processing branches	24.8	13.1
4. Food processing industry	14.7	14.7
Industry as a whole	100.0	100.0

No matter how disputable the mentioned quantifications are, there is no doubt that the koruna is deeply undervalued. It can be assumed that ERDI will move closer to the Polish or Hungarian (or Spanish) level usual for countries of middle economic level with some lag in labor productivity and the per capita GDP below the European average. Let's say that it will settle on a level around 1.5 in 5-10 years.

What will the decline of ERDI mean for the medium-term prognosis of macroeconomic quantities in the Czech Republic? There will be a realistic revaluation of the koruna (in case of a higher than global inflation the exchange rate will be more or less fixed). The comparative advantages in export which today exist for many branches will thus disappear. Price competitiveness, which in the processing industry has a very narrow margin anyway, will have to be replaced with competitiveness in quality and technological level. A number of currently important enterprises and whole branches will disappear if they do not change the content of their production. Therefore, medium-term plans, and long-term investment plans even less so, cannot be based on today's exchange rate (and today's low dollar wages). However, the reasoning of the enterprise management of our powerful monopolistic branches does not take this phenomenon into account, and with their price policy they are only hastening their possible failure. Financial resources are flowing to them according to the present exchange rate, prices are climbing up to the level of the competing imports. Capital market, which would buy up the resources in a changing situation, is only in the nascent stage. To rely on everything being resolved by a spontaneous play of the market forces is therefore more than adventurous.

#### \* State of CR Communications Networks Discussed

93CH0357B Prague EKONOM in Czech 21-27 Jan 93  
pp 33-35

[Article by Eva Klanova: "Hello, Do You Hear Me or Noise in the Heart of Europe?"]

[Text] In France, which occupies a leading spot in the world in the field of telecommunications, they say that

their status and quality are a reflected image of the economic development. The situation of telecommunications here in this country and their outlook for the future is a subject that is constantly pertinent, and so the following article is devoted to it. Even though it covers the French successes in the field, along with our telecommunications problems, its goal is not to compare but only to inform.

It is most probably pointless to comment on the existing telephone network on the territory of the former federation. Our everyday experiences have fostered the capacity for self-control in us, which prevents us from immediately destroying the mutinous telephone set. The fact is that, if a person needs to call a doctor or have an important call about work, all entirely rational explanations of overloaded lines and the high rate of breakdowns miss the point (in 1991 there was an average of 36 outages per 100 main telephone stations in the CR [Czech Republic]). If we dial the desired number over and over, however, we only increase the so-called non-productive performance, which, for example, reaches up to 50 percent during the peak hours in Prague. As a practical matter, that means that the central is blocked by unidirectional dialing of numbers, and, when that exceeds a certain boundary, its capacity can literally "boil over." How much longer will this telephone agony last?

#### How Much Delay Costs

SPT [Administration of Posts and Telecommunications] Telecom is taking over from the federation the so-called Telecommunications Project, which is divided into two phases. Its goal is to transfer the Czech, as well as the Slovak, telecommunications to new technology and to create the basic technical conditions for improving services. The first phase of the project involves the gradual replacement of analog equipment with modern digital centrals. This started to be implemented already last year, and, by 1995, when this phase of the telecommunications project is scheduled to be completed, the plan is for the creation of a so-called superimposed digital network that will connect the large area centrals and thus create the conditions for higher capacity long-distance operation. It is clear that modernization requires considerable capital investment.

As we were informed by Eng. Ladislav Chrudina, C Sc [Candidate of Science], deputy minister of the economy for the CR, the actual cost of the first phase of the project is 15 billion korunas [Kcs], but another 15 billion must be invested in the maintenance and modernization of the telephone network. Implementation of the project should likewise increase the number of telephone connections by 400,000 to 500,000 (today in the CR there is paperwork on almost 500,000 applicants for telephones). In regard to the fact that, by 1995, there is predicted further growth in those interested in getting a telephone, we still cannot expect a basic improvement in this area. The turnaround should take place between 2000 and 2005, when the second phase of the project appears. In that period, we should add about 1.8 million new lines. The density of the telephone network is supposed to increase from the current almost 17 to 35 main lines per 100 inhabitants.

The greatest problem, however, is the financing of both phases of the project. Of the 30 billion required up to 1995, the SPT Telecom s.p. [joint enterprise] is capable of covering 15 billion from its own resources. Of the remaining 15 billion, to date, 12 billion are not secured. Our telecommunications should get it through credits from the World Bank, the European investment banks, and Europeans banks for renewal and development. To provide credits, however, the banks require guarantees on the part of the state or domestic banks. These are not sufficient, however; therefore, to date, only Kcs7 billion in credit has been promised. The remaining Kcs5 billion are supposed to be acquired by the telecommunications, partly through suppliers' credits and partly by increasing the capital of the future SPT Telecom a.s. [incorporated stock company] by the issuing of new shares and their sale to domestic and foreign shareholders alike. This idea is connected with the privatization project of Czech Telecommunications, Inc. which plans on the first phase leaving 70 percent as state property, and 26 percent going for coupons, 1 percent for an endowment fund, and 3 percent for restitution. After increasing the capital assets by the sale of shares, SPT Telecom, Inc. figures that the owners of some of the shares will probably be two foreign companies of the present five who are seriously interested.

One of the conditions for foreign banks providing credits is, according to Eng. Chrudina, the adjustment of rates so that the profitability of the investments provided is guaranteed. The PA Consulting company has worked up a study as part of the PHARE [Economic Reconstruction Aid for Poland and Hungary] program that shows that the current rates are totally unjustifiable from the economic standpoint. The local calling expenses exceed the receipts, but, on the contrary, the long-distance call expenses are less than the income. There is intensive negotiation going on about rate adjustments between the Ministry of the Economy and the Ministry of Finance of the CR.

The first step is the preparations for the introduction of a six-minute packet in the local telephone connects,

where the price of one packet after 1 January will be Kcs1.05 (or possibly Kcs 1.50 during peak hours, which for now is only a proposal). What else will the new rate policies bring with them?

We want to point out that, so far, this is altogether a matter of proposals. It is clear, however, that the cheap (it is possible in Prague to make a telephone call for a koruna of practically interminable duration, as long as there is not an outage) local calls will increase, while, on the contrary, the unnecessarily expensive interurban and international calls should be made relatively cheaper. The monthly charge for a telephone will also undergo changes, and, after 1 January, will amount to Kcs52.50 for a main telephone line (earlier it was Kcs 50) and Kcs31.50 for a two-party line or group line (until now Kcs30). One of the proposals projects an increase in the bill for a main telephone line to Kcs80. This payment, however, is supposed to include a certain number of call packets in it. The measures should lead to a reduction in the number of passive lines, which are only the recipients of calls. On the other hand, there are no significant changes expected in the charges for installing a telephone, which are now officially Kcs2,100 for a private party and Kcs5,250 for a business or business person, according to Eng. Chrudina. The prices given are applicable after 1 January, and, until that time, they are Kcs2,000 and 5,000, respectively.

According to Eng. Chrudina, however, the most important thing is to create a system and a principle of rate policies. It should, within a package of individual types of services, consist of rules according to which the rates will automatically adjust themselves in keeping with the development of the price levels or inflation. The key for establishing the rates should be the index of retail prices, reduced by a certain percentage, which has not yet been more closely specified.

#### The First Swallows of Spring

On the basis of public competition in 1991 for the technical side of implementing the telecommunications project, the companies Alcatel SEL (for Slovakia) and Siemens (in the Czech Republic) were selected. Both companies have a guarantee of 60 percent of the market of the former federation. Siemens formed a joint enterprise with Tesla Karlin for the production, installation, service, and further development of equipment for public communications. The stock capital of the resultant Tescom Ltd., in which Tesla has 51 percent and Siemens 49 percent, amounts to 20 million German marks. As a concrete result of its operations, Tescom in the spring of 1992 turned over to the Prague SPT a new digital international and switching central, which replaces its analog predecessor from 1980.

Outside the framework of the usual telecommunications, there is EuroTel, the joint enterprise of the Prague and Bratislava SPT and the association of Atlantic West B.V. Inc. and U.S. West International, Inc. For more than a year, EuroTel has been the operator of a public data

network and mobile telephones on the territory of the former federation. By the end of November 1992, there were 774 connections to the public data network in operation. The customers are especially monetary institutions, industrial enterprises, the representatives of foreign firms, reservation systems, and so forth. The number of EuroTel clients in the field of data and radio telephone networks is constantly growing. The use of cellular radio telephones, which is common in advanced countries, is prevented, however, by both the high installation costs of these instruments and their expensive operation.

#### In the Country of the Gallic Rooster

In France, the France Telecom company is the creator, operator, and manager of the public telecommunications networks. It offers all services in the telecommunications field, including satellite transmissions and the administration of the public data network and mobile telephones. Each telecommunications field is taken care of by one of the France Telecom branches associated in the Cogecom holding company. Among the most important branches are Transpac, Telesystemes, Sofrecom, France Cables et Radio, and Telecom Systemes des Mobiles. France Telecom, together with its branches, forms a giant with approximately 170,000 employees and a turnover of approximately 128 billion French francs in 1991. Up until now, it has installed and operated almost 30 million main telephone lines, 150,000 telefax lines, and 6 million Minitel terminals.

Today, France represents the world leader in the field of telecommunications, but that is the result of many years of effort and enormous investments. The rapid development of French telecommunications took place after 1975. At that time, the state gave France Telecom a guarantee so that it could acquire domestic and foreign credits and invest them in the most modern technology. As late as 1974, the French had only 6 million lines available, which meant not quite 10 lines per 100 inhabitants. The overall dissatisfaction with the telephone network was expressed at that time by the sarcastic evaluation that half of the French were waiting for their telephones to be installed and the other half were waiting for a dial tone.... The situation gradually improved, however. In 1978, the network was fully automated, and, since 1984, they have been installing digital equipment exclusively. Currently, 80 percent of all telephone connections are digitized. The French telephone network is thus one of the most digitized in the world. The number of main telephone lines has gradually increased to today's 50.2 lines per 100 inhabitants, by which France has likewise gained one of the top spots in the world. (Sweden has the lead, with 68.4 lines per 100 inhabitants, followed by Switzerland, with 57.1, and the United States, with 54.7.)

The development of telecommunications did not involve just an increase in the number of lines, but also a higher quality in the network. A study of the number of outages per 100 telephone lines shows that, in 1984, the so-called

coefficient of failures was 25 (a single line would have a problem on the average of once every four years). In 1991, this coefficient was 10.7 (a single telephone line is repaired roughly once in 10 years). The goal is to reduce the coefficient of outages to 8.7, which, in practice, would mean a probability of failure for a single line of once in 12 years.

Over time, the selection of telecommunications services offered was expanded. Besides the conventional telephone, which for France Telecom continues to represent the greatest source of income, the users routinely have available facsimile machines, mobile telephones, the public data network, and, especially, Minitel, about which we will speak more later. It is not without interest that the charges for telecommunications services today represent roughly 25 percent of the outlays of the average French household. It is predicted that, in 2000, this share will rise to 30 percent. The makeup of France Telecom clients is also gradually changing. While in 1984 the number of telephones in private dwellings was approximately the same as the number in businesses, it is predicted that, in 1994, business telephones will make up two-thirds of the overall number.

#### Rate Policies and the Services Offered

Just as in this country, in France the user first pays a charge for the installation of a telephone connection and then a monthly payment for the line and, understandably, for special calls. However, the rate policy has an entirely different trend than is predicted for this country. In 1974, there was an increase in prices connected with the installation and operation of a telephone, and France Telecom could thus even reduce some prices with the advancing modernization. (For example, the charge for installing a telephone has gradually dropped to today's Fr150, or Fr250 for the installation of a new line, including cable.) The basis of the rate policy, which is under state control, is the fact that the development of the rates must always remain 3 percent behind inflation.

How much then does telephoning and the services connected with it cost in France today? To set the prices quoted above in a better relation to economic reality, we can say that the gross minimum wage, guaranteed by law, is today Fr5,690 (the average gross wage of a France Telecom employee fluctuates around Fr10,000). Back to telecommunications. The basic price of a time packet is Fr0.73. For this amount, it is possible to make a six-minute telephone call within a single central exchange's calling area. The goal of the rate policy is to reduce as much as possible the difference between the rate of a local call and that of a long-distance call. There are plans to shorten the time packet for local calls to three minutes in 1994, but, on the other hand, extend the time packet for long distance to 20 seconds. It is interesting and, for our telecommunications, it could also be inspiring, that the rates are divided into four time bands. Thanks to them, it is possible, for example, for calls to be significantly cheaper in the evening than during the period of the so-called peak hours, which roughly correspond to

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the working day. Besides the actual amounts for the telephone, the use, of course, also pays the basic monthly payment, whose amount varies from Fr28 to Fr39. The owner of a telephone in Paris pays more than someone outside the city because he can call a larger number of people for the same money in a large city.

For the time being, unfortunately, we can only look with envy on the services the common user of a telephone in France has available. In addition to the telephone ring, which is also familiar to us, for Fr10 per month he can get a call-waiting signal, which tells him that another call is coming in. This service makes it possible to interrupt the original call momentarily and to take care of the call announced by the signal or switch from one call to the other. For Fr15 per month, a call is automatically switched from the customer's telephone to any other telephone number he enters. For Fr20 per month, you can have the service of the so-called three-way conversation, which is not only for business matters but also for pleasure. (Our telecommunications, in fact, behave in the same way at times, but do not make it possible for us to choose our partners for the conversations.) A detailed bill is a treat not only for the business or family budget. For only Fr8 per month, the owner of a line gets a precise breakdown of what numbers have been called, when the calls took place, and how many time packets he used. This year, there is likewise to be the introduction of the service called "Home and Family," which means that, within its framework, there will be a certain reduction offered on the numbers of one's family members, for example.

Of the other telecommunications media and services, Minitel has become a great favorite. The number of radio telephone users is also increasing very rapidly (at the end of 1991 there were 290,000 of them), as well as the various types of paging (over 280,000).

**Minitel as an Enormous Source of Information**

Minitel is a terminal station on the Teletel system. The basis here for the transmission of data is Transpac, the French data and packet network. Minitel, a small monitor with a keyboard, is connected to a direct telephone line. It is communications equipment that makes it possible to make connections in a simple procedure with data banks, to buy remotely, to order admission tickets (and also to pay for them through Minitel), to reserve train and plane tickets, to consult timetables, to get information on tours, to find out the weather forecast, to get acquainted, and so forth, and so forth. Currently, it is capable of accessing almost 19,000 items of information. This handy reminder and assistant is used by 30 percent of the inhabitants of France. In 1991, there were 6 million terminals installed, of which 4 million are in homes and small businesses. Minitel monthly provides an average of 80 million consultations of the services provided and 60 million references to the telephone directory. This forms the basic service provided by Minitel. It is a kind of electronic phone book that contains some 30 million numbers and is capable of looking up the desired number by name or just by the profession of the person being sought. The listing can even function with only a phonetic representation of the name.

What, in conclusion? According to the telecommunications project, if the time schedule is met, we have hopes that, in the year 2000, we can use the telephone at the same level the advanced countries of Europe do today. There is nothing we can do but hope that, during the years remaining until the change to a new millennium, there is not too much progress in this area and that it will give us a chance to catch up from where we are lagging behind.

\* SZDSZ Action Program Criticized as Socialist

\* 15-Point Program

93CH0430A Budapest MAGYAR NEMZET in Hungarian 1 Feb 93 p 4

[Article by (v.z.): "Fifteen Points for the 15 Months Before the Elections"]

[Text] Last week's national convention of the largest government party was spectacular proof that the party is incapable of dealing with anything but itself and that it is not interested in what the people of our country are concerned about. Literally, the days of the MDF [Hungarian Democratic Forum] administration are counted. In 15 months, the term of this administration will end, the Antall administration will leave, and the next administration will finally be able to lead the country out of its present grave situation. But what should happen until then?

1. The government should request independent economic research institutions to prepare an unbiased and objective assessment of the situation and a prognosis for the economy.

2. After the fourth month, the finance minister should report on the implementation of the 1993 budget.

3. During the first half of the year, the National Assembly should have the minister of international economic relations report on the preparations for the World Expo, and should consider a possible examination of the Expo's plans and also cutbacks according to need.

4. The National Assembly should immediately pass a land-redistribution plan that would make it possible to trade land and to combine small lots for cooperative use, i.e., to develop farms that can be run economically.

5. It is imperative to rapidly create new jobs in the crisis regions through industrial parks financed with central resources. We recommend that the government support the idea that every child be able to attend some kind of school until the age of 18. The state should pay entry-level salaries for entry-level positions for a year for those who work as co-ops at a company. Employers should be allowed to send employees on early retirement if they immediately hire someone else who has been unemployed for more than three months. It should be made possible to pay six months' unemployment benefits in one lump sum.

6. Factory councils, which will be elected soon in opposition to the State Ownership Corporation [AV Rt] and the State Property Agency [AVU], should be given limited authority of control at companies that remain under state ownership.

7. We recommend that a supervisory committee, consisting of independent experts who are appointed for two

years by the president on the basis of a two-thirds vote by the economic committee, be set up for the AVU and AV Rt.

8. Disqualification should be announced if

1. a parliamentary representative is a member of the executive board of a company in which the state has a majority share,

2. a top executive of a state company is engaged in private enterprise.

9. The government should provide local governments with funds needed for the continued operation of all educational institutions.

10. Budget financing, which makes churches dependent on the state, should be discontinued; instead, churches and other public and charitable organizations should be financed by a portion of taxpayers's money at the latter's discretion.

11. It is imperative to close the affair of the III/III secret agents before the next elections.

12. The issue of historical justice, in its narrower meaning, should be resolved.

13. On our part, we have already begun preparation of the amendment to the local government law.

14. Already at the 1989 trilateral talks, the SZDSZ [Alliance of Free Democrats] promoted the idea of a smaller parliament, consisting of 250 MP's. It is time to implement that so that we have a parliament that carries out the tasks of legislation less expensively, more professionally, and more efficiently.

15. Our 15th proposal concerns an amendment to the election law to limit campaign expenditures for each party that presents a national list of candidates, and for each candidate.

\* Criticism From FIDESZ

93CH0430B Budapest MAGYAR NARANCS in Hungarian 25 Feb 93 p 11

[Article by Andras Semjen: "Fifteen Points That Swayed the Flower"]

[Text] The SZDSZ [Alliance of Free Democrats] decided to pull out all the stops and courageously show the government what to do. Of course, there is no revolution nowadays; therefore, the historic acoustics of the 15 points ("what does the Hungarian nation wish?") is not entirely timely.

Of course, it is beyond debate that the huge budget deficit, the IMF agreement that is lost in the haze of the future, the compensation that is done with such bravura, privatization—embellished with national holdings—that seems to be suspiciously slowing down, and the situation in the allocation systems are all indications that

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it would not hurt the Antall administration to have some kind of guidelines. However, experience to date indicates that the only result of public criticism or (well-meaning) advice from the opposition is that the administration excludes even the possibility of accepting a measure that is even remotely reminiscent of one that is recommended.

For this reason, I was rather worried initially that proposals that have been published would block superior solutions to important issues for a long time. Then, in reading the 15 points, I realized that the writers of the text—at least those passages that concern the economy—probably also reckoned with this and incorporated the effects of resistance into their proposals. What else could the reader read into it when a party, which proclaims itself to be liberal and which is marching toward International Liberalism, presents proposals concerning key issues that would embarrass any half-way sober-minded socialist party activist?

Ten of the 15 points—a respectable ratio—are more or less connected with economic, economic policy, and financing issues. It is another matter whether the economic issues concerned are the most pressing ones today and what the proposed measures would accomplish.

Reallocation by the state is generally considered an important direction: It is of high priority in liberal party programs all over the world. Special handling of this problem would be highly justified in Hungary, where the centralization of budget revenues and the ratio of redistribution are extremely high, even exceeding those of the customary levels in the most developed welfare states. After all, we have had enough of collectivism—whether it bears a red star or a green tulip—and individualism should be reinstated in its rights. Yet, this thought seems to be missing from the heart of the SZDSZ. Of course, formally everything is all right: There seems to be a balance as two cost-increasing items (a program for handling unemployment and financing local governments for saving the schools) are presented with two cost-decreasing items (the World Expo and the financing of churches). (Indeed, the latter two items would mean savings: As far as I am concerned, "I will buy" the idea.) But, in the present situation, the reason for us to save here and there should be something other than just to be able to gallantly spend it (or even much more) on something else.

Private ownership is the first requirement for efficient private business. Not only former party functionaries but even transitionologists usually know that privatization is the key issue of transition. Still, it seems that the speed of changing owners and the development of an efficient system of ownership are not given their proper place in the 15 points. Even though privatization is mentioned often, e.g., in connection with point 4 (land redistribution), point 6 (factory councils vs. AVU and AV Rt), point 7 (independent supervisory committee

assigned to the AVU and AV Rt), and point 8 (disqualification). Unfortunately, however, these points only scratch the surface without dealing with the basic problems.

"Independence" is presumably a favorite category of the proposals' writers. (I note with hesitation that, already under point 1, which demands an "unbiased assessment of the situation," I failed to understand what kind of independent economic research institutes—especially in the plural—they were thinking of.) Trust in "independent" experts is mentioned again in connection with the supervisory committee for the AVU and AV Rt. It is not too clear in Hungary today who depends on whom, i.e., who is independent. It is unlikely that those who are considered independent by the writers of the 15 points would also be accepted as such by two-thirds of the economic committee. The proposal is justified since at least some limited outside supervision would be provided for the obscure affairs of privatization and property management. But since every institutionalized body will sooner or later develop hardened institutional interests, it is questionable whether we need an "independent supervisory committee" to head AV Rt, which is to be abolished as soon as possible.

The vague redefinition of the idea of workers' self-government, under point 6, is also connected to privatization: It could definitely slow down privatization. Point 8 (prohibiting representatives to be members of boards of directors of state companies and executives of state companies to engage in private ventures) would be extremely difficult to monitor, i.e., it could be easily circumvented by using dummies. It is also unclear in using this logic how being a representative and a private entrepreneur at the same time is not incompatible. Incidentally, I do not think that the issue is worth the time spent on it—instead, we would do better prying into the private ventures of government officials. Of course, it is true here, too, that any formal legal regulation can be circumvented with a little skill. Results can be expected in this area not so much from legal regulations but much rather from publicity and the development of political culture and ethics.

It is probably number 5 which is the most ambitious of the 15 points. It has as much wit as 10 other ones combined. Too bad that most of the wit offers only extremely costly pseudo-solutions for the management of unemployment, an issue that is truly important.

Before going into that, let us say a few words about scores. There is indeed a great need for regional crisis management, and industrial parks would also be all right although their direct impact on creating jobs is minimal. It also sounds good that "the government support the idea that every child be able to attend ... school until the age of 18." By and large, this is the way it is today. The only problem is that the government (faithfully following Kuno Glatz's ideas) has been unable to create schools that youth of this age would willingly attend. For this

reason, despite the high initial enrollment, most in this age group drop out and do not attend any school.

Point 5, which wants to cover a lot, also contains some startlingly problematic, one could say completely demagogic, ideas. One of its pearls is that the state should pay entry-level salaries for a year to co-ops. In the event of 100,000 applicants (a conservative estimate) the direct budget expense that this would entail—calculated with very modest wages and the usual taxes—about a mere 20 billion forints annually, most of which would be, in this form, money thrown away. (Of course, it would also entail some savings in financial assistance, but that would only amount to about a fourth of the above sum.) Even without such a “solution,” some companies are willing to employ young people (at least until such proposals do not change their thinking); but, after completing the program, they could hardly stay at companies where there is actually no need for them and, even if they have learned something, that would not greatly facilitate any subsequent employment. In addition, it would probably be the worst companies who would exploit free labor, and would only lay off others at the influx of the latter.

Unfortunately, unemployment benefits paid in one lump sum (this does have precedents in the West for allegedly speeding up reemployment), the other ace, is absolutely unsuitable for managing this problem: In today's Hungary, the countermotivating effect of the benefits on massive and long-term unemployment is very small. The main obstacle in leaving unemployment behind is a meager job market: There are four vacant jobs for every 100 unemployed persons. On the other hand, in the event that such a regulation is introduced, all job mobility would include a short period of unemployment so that the employer could make use of an unexpected opportunity. Thus, the proposal would continue to burden the Solidarity Fund and the budget without any special results.

The last two proposals are thought-provoking and evoke memories that have become almost forgotten: While the generous proposal of “20,000 forints for everyone” merely meant the distribution of paper coupons (how much more generous the Antall administration is—well, yes, they are the real gentlemen—by promising everyone a million, if only in credit (vouchers)), now they want to give real money to the broad masses. I fail to understand why the SZDSZ has this invincible inner urge to present the population with a “national gift” that it did not even request. Is this supposed to be the task of the parties? I do not believe so; for such a gift can only be financed by extra taxes, and its effects would not be particularly helpful for the development of an efficient economy. In addition, such assistance also misses the mark from the aspect of redistribution.

\* Finance Ministry Official on IMF Negotiations

93CH0432A Budapest FIGYELO in Hungarian  
18 Feb 93 pp 14-15

[Interview with Zoltan Nagy, Finance Ministry administrative state secretary, by Gabor Karsai; place and date not given: “The IMF and State Household Reform; Add a Coat to the Button?”]

[Text] [Karsai] The Finance Ministry's debate material about state household reform appears to have been prepared rather hurriedly, as if reform was needed only to reduce the upcoming years' expected budget deficits to formally fulfill the IMF's wishes, whereas, if anything, this is a basic economic and political problem that truly affects society as a whole. This “add a coat to the button” approach raises questions from both a professional and a political standpoint about the seriousness of the governmental intent.

[Nagy] Social systems are being restructured under constrained conditions everywhere, and this is also true in Hungary. The 1993 budget, the 185-billion-forint deficit, corresponds with our earlier promise, and is recognized in essence by the IMF, even though it does not sympathize with our desire to replace the budget revenue shortage caused by lower general sales tax rates with privatization revenues.

If this year's budget processes were to continue unchanged through 1993, next year's deficit would exceed 300 billion forints, and would probably remain above the 200-billion-forint level through the years 1995 and 1996, in the long term, due to the necessary increases on the expenditure side. We regard a deficit of about 200 billion forints as a maximum. The IMF demands two things: to break the deteriorating tendency of the budget in 1994 on the hand, and to develop a state household reform plan which completes preparations for structural changes this year, and which implements the reform measures during 1994, scheduling various steps for after the elections, i.e., completing the entire process by 1 January 1995.

[Karsai] Is it possible to satisfy the IMF with sheer promises, which, in addition, would have to be implemented by a government established after the elections, possibly on the basis of an entirely different party composition?

[Nagy] The fact is that the IMF would also like to have some guarantees. The adoption of a few measures by parliament in 1993 that would stabilize the 1994 budget situation could be one such guarantee. These measures could include the expansion of the tax base by taxing meals [provided as employee benefits] and family supplements—the latter would be accompanied by the compensation of the needy—and the self-sufficient operation of a few institutions beginning in 1994, institutions that were thus far financed by the state budget, such as water works, the television, and the radio. In addition, they would also like to see the state household reform concept

adopted by parliament. In the IMF's view, the 1994 elections would not mean a drastic change in Hungarian economic policy even if a new government were to be installed, and they are encouraged by the fact that Karoly Attila Soos, the chairman of the budget committee—one of the leading politicians of the SZDSZ [Alliance of Free Democrats]—has made positive statements concerning the basic principles of our reform concept during his discussions with the IMF.

[Karsai] All this indicates to me that if the IMF is serious about requiring guarantees; it cannot sign an agreement with the Hungarian Government even if Hungarian budget policies become more stringent than promised.

[Nagy] Well, this is not as simple as you would think. Both the IMF and we must consider the extent of measurable damage to be caused by failing to reach an agreement, a damage that could not be expressed in terms of money. We would forgo the opportunity to receive not only IMF loans, but also loans from significant international banks, moreover, even the opportunity to receive Japanese export-import credits. The MNB [Hungarian National Bank] is supposed to float a \$2 billion bond issue next year, and the question is under what interest rates and terms these bonds could generate demand. Quite naturally, we are the primary passive subjects of all this, but it is not indifferent from the IMF's standpoint either, whether a country, which has formulated its economic policies consistent with advice given by the IMF for a decade, becomes unsuccessful. Accordingly, I do envision a possibility for rational compromise.

[Karsai] The state household reform concept is based on a presumed growth of gross production (GDP). What happens if the expected growth fails to materialize?

[Nagy] The redistribution ratios could not be reduced along with a stagnating or declining GDP, and with increasing state expenditures. The evolution of a negative budgetary spiral would become unavoidable, and this would pull down the entire national economy. At the same time, the improved utilization of moneys expended, the institutional and structural transformation of distributions systems—and this is, indeed, the essence of state household reform—would still not lose their current relevance. For example, I know of a person who is well off, to whom the district local government is making welfare support payments based on his three children. This person is simply unable to return the money that is "due" to him. Whether he wants to or not.

[Karsai] A surprising idea has become part of the state household reform proposal: to transfer part of the state's domestic indebtedness to state enterprises. How do you propose implementing this?

[Nagy] This is perhaps the most disputed proposal among all our proposals related to the management of the state's domestic indebtedness. Based on this idea we would assign part of the state's indebtedness to the AVU [State Property Agency] and to the AVR [State Property

Management Corporation], which, in turn, would have to finance that indebtedness by using privatization revenues.

[Karsai] To what extent is this a better solution than the present practice of using privatization revenues to finance the current expenditures of the state—which is also a debatable practice, of course?

[Nagy] The logic would be reversed. The budget would not absorb the resources of the above-mentioned institutions. I would be very pleased even if we could return to the practice followed until 1992, as a result of which most privatization revenues had to be expended to reduce the state's indebtedness. The current expenditures and revenues of the budget are more or less balanced, the size of the deficit is the same as the annual amount used to defray the state's indebtedness. In other words, the deficit could be significantly reduced this way. In 1992, and this year—based on the 1993 proposed Property Policy Guidelines—a significant part of the privatization revenues are used for the development of market institutions—e.g. capitalizing organizations engaged in reorganization, credit guarantees, and the management of long-term state property—and for special purposes, such as the financing of the World Exposition. These, too, are important purposes, but while items amounting to a hundred million forints were heavily debated when parliament considered the budget law, the government and parliament disposed with ease over billions of forints in privatization revenues. Accordingly, treating privatization revenues as a separate item is unfortunate even from a psychological point of view.

[Karsai] Your proposals call for a significant reduction in the financial independence of autonomous local governments.

[Nagy] Our recommendations are based on professional, and not on political, considerations. Since the basic local government law required the approval of a two-thirds majority of parliament, it would probably be appropriate to introduce amendments affecting the financial management of local governments to the next National Assembly.

At present, local governments receive standard state contributions at the beginning of each month to cover their expenditures, including gross wages and salaries. We will need about 20 billion forints less in revolving funds—or state securities to finance these funds—if we transfer net wages and salaries to local governments, i.e., if we transfer directly the advance social security contribution and personal income taxes to the Social Security and the State Revenue Authority respectively, through the future regional financial directorates. In addition, we also want to change the system of designated and special purpose investment support provided to local governments, so that they would be paid after expending the funds, upon presentation of invoices. All these methods could also be applied to the state household as a whole,

because the paradoxical situation is untenable: A significant part of the state securities that finance the central budget deficit are purchased by organizations funded by the state budget, simply because they "manage" the funds transferred to them at the beginning of the year.

Granted, these measures would, to a certain extent, restrict the sphere of movement for local governments, but the tax and inflationary implications of a greater budget deficit would be unfavorable from the standpoint of every citizen. And "business deals" should not be struck by using public funds.

We are also planning to centralize the procurement activities of institutions funded by the central budget; one can obtain discounts when buying cars or even soap in larger quantities. Centralized procurement of computer equipment would also enable the computer systems of the various institutions to communicate.

[Karsai] It seems that while you are making desperate efforts to propose budget cuts, economic policy as a whole is taking off in a partly opposite direction. Credit consolidation, the reorganization of the 13 large enterprises, the increasing number of budget guarantees, the cavalier management of privatization revenues, and the emphasis on privatization techniques that come close to becoming free of charge giveaways, not only deteriorate the position of the budget, but also raise concerns that these measures soften the budget limits which banks, state enterprises and entrepreneurs must observe.

[Nagy] Credit consolidation is the biggest bite, because it represents 100 billion forints. I, too, have questions; I, too, am uncertain, whether the use of this method indeed avoids a domino effect caused by the bankruptcy of banking institutions, or, if it softens the budgetary limits of banks. I will underscore that I am talking about banks, because up to now no one has made a promise that the state would write off the bad loans that had been consolidated, even though many feel that this kind of thing is in the air.

The initial analysis of loans offered by banks for credit consolidation has been completed the other day. As it turned out—and this came as a great surprise to me—most of the amount was loaned out to limited liability corporations that have gone out of business in the meantime. According to the initial data, the list shows that the loans of only three of the 13 well-known large enterprises recommended for reorganization turned bad.

[Karsai] Accordingly, the banks are offering for credit consolidation not some loans they have inherited, but loans they have granted based on their own, independent decisions. This suggests bad operations, but it could also be that not all of the bad loans are based on professional mistakes, but on political influence and personal relations.

[Nagy] I am unable to judge that. The fact is that in its present form, debt consolidation may strengthen the

banks' hopes that they do not have to bear responsibility for the consequences of bad decisions, regardless of the reasons for such decisions.

The key issue in 1993 is whether the government is sufficiently determined to continue with the economic policy it began to follow two years ago, and to pursue more or less consistently since then. Notably, that the government would alleviate the situation of only a very small group of enterprises based on long-term considerations and not permanently, and further, that the system of budget guarantees would not assume the role played by the earlier system of subsidies. Closely related to this is the need for AVU not to give away, but to sell things, and that money market instruments continue to be used by the government in the necessary course of accelerating privatization. The credit consolidation of 1992 does indeed hold out a major threat: Bank managers could misunderstand this matter; in reality, the effort resolves the real problems of banks only temporarily, and does not resolve the problems of the affected businesses at all. This threat exists indeed, and adds substantial amounts to the domestic indebtedness of the state.

The country and the government should be known by their consistent pursuit of the agreed-upon path, and this is also important from the standpoint of IMF agreements.

#### \* Government Position on State Household Reform

93CH0423B Budapest FIGYELO in Hungarian  
18 Feb 93 pp 15-17

[Unattributed report: "State Household Consolidation"]

[Text] *The way the Finance Ministry sees things, the State Household Streamlining Committee should already be making recommendations during the 1994 budgeting process. The following are excerpts from the government's debating material.*

State household reform means revising the systems that underlie the expenditures. At the same time, stability on the revenue side is important from the standpoint of consolidation, and this requires economic growth. The 1994-96 state household consolidation program presumes such growth.

In rearranging the expenditures of the state household, the individual subsystems must be stripped of all functions that could be performed more efficiently in a market economy by others earning an income. Thus—also considering the added income produced by the economy—the proportion of centrally budgeted expenditures within the GDP could be gradually reduced. This also means a review of institutions funded by the state, a reduction in force of the military, amendments to the law governing public employees and public officials, and the changing of functions in other subsystems, such as the segregated state funds, local governments, and social security.

The inherited state indebtedness is a growing burden among the state's expenditures. The responsibility inherent in the magnitude and management of that burden must be shared by businesses outside the state household subsystems.

The chief goal of rules and regulations to be observed by autonomous local governments will be the reduction of the present, unhealthy extent of decentralization, and the encouragement of economic integration of local governments and their institutions. Some of the functions and authorities could be discontinued consistent with the findings of a review of state functions and of the reimbursement system, or could be placed elsewhere. At the same time, functions to be performed by the various types of local governments must be defined more clearly. Uniform employment and compensation practices applicable to public employees and public officials will forcefully transform and simplify the financial regulations and standards used by local governments. By placing regional development functions under the authority of future financial directorates, the mechanism of designated, targeted, and supplemental subsidies will change, and so will the financing of social welfare provisions. Refunds and local taxes, i.e., the local governments' own resources, will increasingly become the chief additional revenue sources for local governments.

In the area of segregated state funds it would be appropriate to combine funds that serve identical purposes; funds which produce unequal opportunities and which hinder competition will gradually disappear while those which support justified state functions will gain strength. In the course of this process, in parallel with the termination of state functions, the state will continually remove itself from funding such functions.

To maintain social security deficit financing within feasible limits, the introduction of measures consistent with legislative directives must be accelerated as much as possible. A new pension determination system based on insurance principles must be established to balance revenues and expenditures within the pension insurance system. During the consolidation period, in conjunction with other reform measures, the social security system profile will be purified. Along with economic growth, there will appear so-called Voluntary Mutual Insurance Funds, and so-called recognized funds (e.g., serving public officials and public employees).

Increased taxes would have a boomerang effect because they would only reinforce efforts to avoid taxation. Therefore, it is once again necessary to broaden the tax base to enable the state to acquire the needed incremental revenues, and to lower the per unit income tax burden as incremental revenues are collected.

Only a narrow group of tax benefits must remain part of the tax system. The principle of deducting only the income-producing expenditures must be enforced.

Combining the systems of profit and personal income taxation is unavoidable. All income (incremental assets)

must be taxed only once: either as profit (if used as capital), or as personal income (if expended for private purposes).

Policy level changes regarding general sales taxes are not needed in 1994. A year after the introduction of the dual rate sales tax it would be untimely to either increase the tax rates or to possibly reduce the standard rate. The special general sales tax refund in the housing sector will be discontinued as of 1 January 1995, based on the already adopted general sales tax law. The above statements, however, should not be understood to rule out possible refinements in the general sales tax system in 1994, insofar as classifications and other details of the rules are concerned. Thus we should consider eliminating the zero tax rate in 1995 or 1996, and narrowing the gap between the two basic rates. Supposedly, we cannot avoid examining demands for the expansion of general sales tax refunds either, e.g., taxes on gasoline.

Except for the necessary valorization of categorical taxes, no substantial change can be expected in 1994 insofar as the scope and extent and rules for consumption taxes are concerned.

The effectiveness of the taxation concept and the tax rules depends on the rate of success in the course of implementation. Successful implementation also depends on the simplicity of the system and on the relative ease of tax collection.

Most items in the central budget are linked to classic institutions and functions funded by the state. Most reductions in expenditures can be accomplished as a result of substantive decisions made by the various branches and professions, and not on the basis of financial considerations. The outcome of such decisions manifests itself primarily in functional and organizational streamlining, e.g., the termination, merger, or internal reorganization of institutions, changes in the operations of institutions, reductions in the number of employees consistent with the changed functions, and the regrouping of tasks. Since 70 percent of the funds budgeted by state-funded organs are contained in four or five budget chapters, we must recognize that a meaningful reduction of expenditures can only be accomplished by reducing the amounts budgeted in these chapters.

Only 10 percent of all funds is allocated to institutions that do not perform classic state functions; many of these functions could be performed without state funding in the future; alternatively, the institutions and functions could be discontinued. This could be accomplished by reorganizing these entities into corporations or foundations.

Finding new revenue sources, mainly by making available assets owned by the state, would also be useful for the financing of classic state purposes. Calculations related to the consolidation program indicate that individual income will increase, and therefore people will be able to expend more money than before for educational, cultural, etc. purposes. Therefore, even on a user-funded

basis, these services cannot be expected to disappear; they will continue to function at least at their previous levels.

Support funds contained in the budget cannot be reduced further by using the linear method used thus far. For this reason, the organizational and functional structures must be radically transformed based on professional considerations, even though such changes may conflict with the existential interests of persons and institutions developing the foundations for the related decisions.

Organizational changes in the complex system of tasks within the consolidation program, which serve as the foundation for reduced funding and support, must be scheduled to take place at the appropriate time. This involves drafting new legal provisions, defining conditions and methods for the transfer of assets, establishing the political background, and, in certain instances, providing funding for onetime investments needed to achieve subsequent savings.

The load-bearing capacity of the state household requires that central contributions and subsidies provided to local governments be frozen in 1994. The only exceptions in this regard could be one or two supplemental, legally required obligations, such as bringing in line public employee salaries with other salaries. Financial rules applicable to local government may be changed beginning in 1995 consistent with changes to be made in the financial rules applicable to large provider systems. The excessive fragmentation of local governments and institutions could be discontinued. Local governments could be freed from having to perform functions that should not be performed at the local level. Reassignment of local government functions to ministries, for example, would be particularly justified if a given function is administered in a large area, or if the function is performed only by a few organizations throughout the country; in other words, if the place where the function is performed is not of primary concern. These include institutions to protect children and youth—the GYIVI's [Child and Youth Protection Institutions]—special social welfare facilities, regional archives, museums, etc.

The uniform state employment and compensation system applicable to public employees and public officials can also be extended to cover local governments.

The role played by county-level autonomous local governments and state office(s) in regional public administration must be clarified. From among the present central governmental functions, regional development (including the system of designated and targeted subsidies) must, by all means, be transferred to the regional level, and so is the distribution of other (supplemental) subsidies. Continued state presence can be justified only in certain regions (counties), where the administration of certain appropriated, designated support funds are delegated to regional financial directorates, but boards of trustees must also be established to accomplish this.

In order to accomplish the necessary shrinkage of state functions, a system must be introduced to reimburse the costs incurred by certain institutions.

A thorough financial feasibility study of new tasks required by existing law, e.g., the social welfare law, or laws in the process of being adopted, e.g., the education law, must be made. The simplifying of financial rules and regulations could be accomplished in conjunction with the narrowing of local government functions, or with the removal of functions from under the authority of local governments. Local governments performing a narrower scope of activities could obtain sufficient funds from local taxes, from the utilization of institutional assets based on a reformed fee reimbursement system, and from other local revenue sources.

The scope and function of segregated state funds must once again be reviewed. Funds that decisively support state functions must be made part of the central budget as special purpose funds. Funds which impede market forces must be abolished gradually, or as a result of a single action.

Uniform financing would enable the more efficient achievement of employment policy goals. To accomplish this, combining the Solidarity Fund with the Employment Fund should be considered.

Funds needed to establish workplaces and to stimulate the economy should, in whole or in part, be provided from privatization revenues, as that was done in the framework of the 1993 budget. Establishing a unified development fund should be considered.

A state contribution of approximately 7 billion forints to the operation of the social security system is planned for 1994, and the allocation of the same amount can also be forecasts for 1995 and 1996. These funds are needed because beginning in 1994 no state guarantees can be provided to finance the annual deficit of the Pension Insurance Fund. On the other hand, health care contributions to be made after uninsured persons will increase to 7 billion forints due to the increased number of persons and changes in specific costs.

The largest items funded through the social security system are family supplements and support payments to expectant mothers. Based on an expected 10 percent increase in this regard, we may assume that a total of 116 billion forints will have to be paid out in 1994.

Other provisions and reimbursements paid through the social security system will amount to about 28 billion forints in 1994; most of the increment over and above the 1993 level stems from child care support payments transferred in the course of purifying the social security system's profile. For this reason we must examine the possibility of changing the family supplement system so as to restrict the scope of entitlement. It will be difficult to persuade the beneficiaries to accept this change, of course.

In examining the social security system, the idea of establishing a separate, independent pension system for state-funded institutions (i.e., public officials and public service workers) arose (Public Officials and Public Service Workers Insurance Fund [KDBP]). The system could be developed in 1993 and 1994, and implemented beginning on 1 January 1995. The recommended measure would have a partial positive effect on the state household, and a fully positive impact on the state budget.

Fundamentally, the KDBP would be based on the principles of a legislative proposal submitted to parliament concerning so-called Voluntary Mutual Insurance Funds, and would function within the divider-levying system that flows from commitments to provide pensions to already retired persons. Based on its mandatory "social security" character, the system would not provide supplemental services, but pension payments based on mandatory insurance—the embodiment of social security itself. Beyond this, it would be appropriate to develop a peculiar sick pay and maternity pay system within the KDBP, consistent with the "public service" character of the model.

Excess KDBP revenues produced even by maintaining identical contribution levels could be used by the state in 1995 to fully cleanse the profile of the social security system.

In contrast, a significant drop in the revenues of the Pension Insurance Fund can be expected in 1995 and 1996; this could be partially offset by gradually improving the ratio of contributions collected and by improving the rate of return on assets provided, and by using the total amount of the return to finance current expenditures. If, after all the above, the deficit of the Pension Insurance Fund exceeds a level deemed as tolerable under the consolidation program, it may become necessary to reduce the amount of funds used to adjust pensions upwards to compensate for inflation, but this would hardly be acceptable.

The review of the health care institutional structure from the standpoint of implementing reform measures within the health care branch of social security could be accelerated either by reassigning the ownership of the entire health care field to social security, or by changing the prices of social security service provisions so that they fully cover the costs and become sector neutral.

Consistent with the goals of health care reform, a fee reimbursement system, which, on the one hand, relieves the societally increasingly unmanageable system of "para-solvency," and which, on the other hand, stimulates people to more efficiently utilize the services provided, and which obligates individuals to reimburse the system for other than average service provisions, must be developed and introduced during 1995-96.

The state household law drafted on the basis of the previous budget reform concept must also be reviewed, not only because of the momentary situation of the

budget, but also in order to change the systems. In order to apply and further develop the law, it is necessary to establish a system of means and institutions that ensures the continuous liquidity of the state household. The joint privatization of the functions and assets of state-funded organs must be regulated; to accomplish this we must develop a privatization technique, and the organizations implementing privatization must be designated.

Defining the legal status and developing a framework for the management, financing, and operation of public bodies and public foundations must not be delayed. A network of institutions that handles the flow of funds within the state household rationally, more efficiently, and with modern banking technology must be organized at the earliest possible date; procedural rules related to the scope of authority of financial regulations must be perfected.

A State Household Streamlining Committee is being established to develop state household reform measures; this committee will consider financial and budgetary interests in the course of its work, and to the extent possible, will make recommendations to the government in the course of preparing the 1994 state budget.

This committee will be established on a functional basis, and, as perceived, it will also include representatives of the sciences.

#### \* MP's on IMF Requirements, State Household

##### \* Committee Chairman Comments

*93CH0424A Budapest FIGYELŐ in Hungarian  
18 Feb 93 p 11*

[Interview with Hungarian Democratic Forum representative Gyula Takacsy, chairman of the National Assembly Committee on the Economy, by T.K.; place and date not given: "IMF-Hungary: Takacsy: The Interest Mediation Council Bargain Is Costly; The MDF Economic Committee Chairman's Statement Reveals That State Household Reform Can Hardly Be Expected To Begin Prior to the Elections"]

[Text] *With his final act as finance minister, Mihaly Kupa put a period at the end of the plan to transform the state household. We inquired from Gyula Takacsy, the chairman of the National Assembly Committee on the Economy—a member of the MDF [Hungarian Democratic Forum] parliamentary faction—regarding the chances of implementing the plan.*

[T.K.] What information do you have concerning the status of negotiations between the government and the IMF?

[Takacsy] I have no detailed information. This much I know: In an effort to increase the economic capacity of the indebted state, the IMF criticized the scope of social welfare assistance given by the state. It is appropriate for the state to profess that social stability is of the highest

possible value to the country. An agreement based on this principle was reached with the Interest Mediation Council last December. This bargain has cost a lot. Societal peace in Hungary is also important from the standpoint of the IMF, but it is trying to persuade the government to assume a harder bargaining position in reconciling interests. I have only partial information regarding the IMF's primary interest in making further cuts on the expenditure side of the state budget.

[T.K.] Have you been informed of how the IMF representatives received the Hungarian state household reform program?

[Takacsy] It is my understanding that the program was received favorably. Nevertheless, several details of the program—such as the proposed financing of local governments, health care, and housing construction—were subjects of dispute, of course.

[T.K.] Once begun, this transformation process could last for years. Do you see a need for the government to cooperate with opposition experts in developing the program?

[Takacsy] Yes, cooperation is needed. Reforming the state household requires legislation, and when it comes to that, I expect to hear an objective debate with the opposition. It would be too early to reconcile this matter while talks with the IMF continue, but after reaching an agreement with the IMF, we could go as far as establishing a special committee to debate and analyze this program.

[T.K.] Is IMF acceptance of the government-proposed concepts vital from the standpoint of Hungary?

[Takacsy] Those few hundred million dollars we would receive as a result of a loan agreement, or which we would not receive if the negotiations failed, are not important. Cooperation with the IMF is important from Hungary's standpoint, because it provides a recognition, a sense of security in borrowing, which is indispensable from the standpoint of a state that must rely on outside resources. With that I should also say that an agreement with the IMF upsetting the agreement reached with the Interest Mediation Council would be impossible.

[T.K.] Would this also mean that in the time left before the elections, the MDF-led government would not agree to measures that cut demand, or abridge income and social welfare provisions?

[Takacsy] The 1993 legal framework for the budget and for taxation is complete, and we would be hard put to make a change in this regard. Quite obviously, in planning the 1994 budget we must take into consideration other matters, too, in addition to those we would consider otherwise. I am confident that by then the economy—already showing signs of becoming revitalized—will not have to be constrained. Transformation of the distribution systems is moving ahead, but we can only count on a slow process. Society would not accept a

radical change. In exchange for that, society must learn to accept that less money will be available to establish foundations for growth.

\* Opposition Economist's View

93CH0424B Budapest FIGYELO in Hungarian  
18 Feb 93 p 11

[Interview with Representative Marton Tardos, Alliance of Free Democrats economist, by Tibor Krecz; place and date not given: "IMF-Hungary; Tardos: The Opposition Is Waiting To Receive Information; In the Opposition Economist's View, This Year's Budget Cannot Be Sustained Either"]

[Text] [Krecz] Do you have official information regarding the negotiations between the IMF and the Finance Ministry?

[Tardos] I have no official information.

[Krecz] What are the chances for the parliamentary adoption and implementation of the state household reform proposal prepared by the government?

[Tardos] I am unable to determine the chances because I am not familiar with the contents of the program. The opposition was not informed of either the basic principles, or the details of the program.

[Krecz] Does the opposition expect to be informed by all means of any element of the medium-term state household concept?

[Tardos] The Alliance of Free Democrats [SZDSZ] believes that the government is not authorized to negotiate matters that affect national interests, and problems that demand integrated action, as long as the government is expected to fail in the next elections. In matters like these cooperation would be needed between the government and the opposition, even if we would not have to count on a change in the government! Further, we view the budgetary situation as critical. The difference between the way budgeted revenues materialize, and the degree to which the budget must be financed—as promised by the government and as expected by society—is greater than the legally established deficit amount. This conflict could be resolved by either increasing the deficit, or by cutting back on various benefits. Either of these solutions would generate increased social tensions.

[Krecz] What would the consequences of an IMF rejection of the economic consolidation program be from the standpoint of Hungary?

[Tardos] The IMF is a source of credit on the one hand, and is an indicator of our credit worthiness to banks, on the other. Crisis could have evolved in a matter of days a year and a half, or two years ago, when our foreign exchange reserves covered only a small proportion of our import needs. The government is in a more favorable

situation with the present reserve levels; a potential freeze of the available credit would cause less disturbance than before.

[Krecz] Do you believe that the state household transformation process could come to a halt if the IMF and the government failed to reach an agreement?

[Tardos] Irrespective of IMF negotiations, the transformation of the state household has not even begun. Disturbances in the course of cooperating with international financial institutions would not produce a change in this regard.

#### \* Commentary on Finance Minister Kupa's Departure

93CH0423A Budapest *FIGYELŐ* in Hungarian  
18 Feb 93 p 1

[Article by Gabor Karsai: "Economic Policy Expectations; Before Szabo, After Kupa"]

[Text] Although Finance Minister Mihaly Kupa has not been overly popular for a long time, reports about his resignation have evoked concern in many. Presumably, this is one of the reasons why the prime minister announced his recommendation of Ivan Szabo as Kupa's successor in advance of the other resignations; Szabo, in his first statement, promised to continue the economic policy pursued so far. What could all this mean?

First of all, economic policy has, for quite some time, not followed the path laid out in the Kupa program. I have in mind not only the continuously postponed implementation of key program elements, but primarily of the state household reform. To this point, we have not really recognized the fact that the government work program adopted in the summer of 1992 was a compromise between the still live elements of the Kupa program and Tamas Szabo's GAM [Economic Strategy Working Group] concept calling for a stimulation of the economy. While verbal advocacy of developing a market economy continues, credit consolidation, the reorganization program of large enterprises, the increased number of budget guarantees, the use of some of the privatization revenues for questionable purposes, the ambivalent view of foreign capital, or the increased emphasis on privatization techniques which come close to free giveaways, not only deteriorate the position of the state budget, but also soften the budgetary limits of banks, state enterprises, and private entrepreneurs. Continuation of this economic policy is implicit in Ivan Szabo's promise of continuity. As a politician, Finance Minister Ivan Szabo is by no means an adventurer who belongs to or flirts with the radical wing of the MDF [Hungarian Democratic Forum]: He was elected last January to the MDF presidium by the sixth largest number of votes; he is close to the prime minister, is one of the MDF's leading politicians who took the most pronounced stand against

the radical wing, and he is also respected by the opposition. Paradoxically, in this situation, a politically 100-percent reliable minister with an appropriate professional staff behind him will be better equipped to enforce the financial conditions needed to maintain the country's ability to operate, than one who is more specialized in his field but who manifests a "rebellious spirit." Ivan Szabo himself made reference to this in his first statement: As a member of the newly elected MDF presidium he would be able to more convincingly represent to his own party the path chosen by Mihaly Kupa.

In addition to the above, the fact that the professional staff of the Finance Ministry continues to advocate an economic policy deemed acceptable by the IMF is a definite asset. Pragmatic as he is, Ivan Szabo can certainly be convinced of the need to follow this line. Whether this provides greater mileage a year before the elections than under Mihaly Kupa is a function of the momentarily hard to predict political field of force. It will probably suffice to avoid the pursuit of extremist, adventure politics, but concerns exist that it will not be enough for reaching an agreement with the IMF.

#### \* Visegrad-4 Trade Agreement Progress Report

93CH0427B Budapest *FIGYELŐ* in Hungarian  
25 Feb 93 pp 16-17

[Article by Sandor Richter and G. Laszlo Toth: "On Visegrad After Krakow; Free Trade—or 'Catching Up' With Europe; Free Trade Agreement Between Visegrad-4 Takes Effect Next Week; What Can We Expect?"]

[Text] After protracted labor pains, a free trade agreement was reached after Christmas in Krakow between Czech Country and Slovakia, which form a customs union, and Poland and Hungary. The initial, specific steps in this regard was taken two years earlier in Prague by the ministers of economy in what were then only three countries, and the political decision to create a free trade zone was made in February 1991, at the Visegrad summit. Initially, negotiations at the level of experts were slated to be concluded in the spring of 1992. In April 1992, the Hungarian press cited Polish sources claiming that the agreement was 90 percent complete, and that the agreement would be signed during the first half of 1992, with a scheduled effective date of 1 January 1993.

Due, in part, to the elections in Czechoslovakia and subsequent complications in preparing to partition the two countries, and, in part, to delays incurred in the search for a compromise by negotiating delegations which acquired the function of "routinely reconciling" issues at negotiations with the EC and EFTA, the agreement could not be ratified in early summer or in the fall. From a certain standpoint the agreement was consummated last December in the last minute, when Hungarian, and mainly Polish officials recognized the reluctance manifested by Czechoslovakia, and raised the

prospect of reaching a bilateral free trade agreement, enabling the Czech and Slovak parties to join at a later date.

The free trade agreement signed in Krakow—probably requiring further refinements—granted a subsequent opportunity for Czech Country and Slovakia to join later, if fore none other but the fact that in reality, three bilateral agreements were signed in addition to the basic agreement. These contain the bilaterally balanced lists of commodities in regard to which the symmetrical, gradual dismantling of trade barriers in the form of customs duties and quantitative restrictions could be accomplished. Trade will be entirely free only in regard to industrial products, and even in this regard only as of the year 2001. In the mutual trade of agricultural produce and food products internal markets would remain protected to a certain extent, even though protective measures would be decreased to no small extent regarding certain items.

Not unlike in agreements reached by the four countries with the EC, industrial products were classified into three categories. The so-called accelerated list includes products for which customs duties in mutual trade would be abolished immediately after the effective date of the agreement. Regarding particularly "sensitive" products included in the "standard list," (such as steel, textile, cars, etc.) the liquidation of restrictions would begin in 1997 and be complete in 2001. The free trade agreement establishes two categories of agricultural and food industry products, and calls for a 20-percent gradual decrease in customs duties in two years, and a 50-percent gradual decrease in five years respectively in the two categories, and, regarding certain products, for the removal of quantitative restrictions.

Supposedly, agreements over measures and procedures that are indispensable from the standpoint of fully free trade—such as procurement rules for public bodies, the process of dismantling price and other subsidies that distort competition, ensuring equal opportunities for competition, sanctions to be applied in the absence of competitive conditions, etc.—could be reached depending on the outcome of further negotiations. The uncertainty surrounding the specific scope of duty-free products, and the specific conditions under which markets could be protected by imposing para-tariff trade barriers, suggests that one cannot rule out the incorporation of small changes in the detailed rules of the agreement that takes effect in March, as compared to the agreement ratified in Krakow. Such changes would be made particularly in the framework of new, or newly recognized interests in the mutual relations of Czechoslovakia's successor states and in their external relations with third countries.

One of the arguments supportive of a need for a free trade agreement among the countries of the Visegrad Group was that as a result of such an agreement the trend of shrinking mutual trade that has manifested itself for years, could be stopped, or at least slowed down by

measures that stimulate mutual trade and are consistent with market forces. Considering the fact that the countries involved have already begun the mutual (and/but asymmetrical) dismantling of customs duty trade barriers and quantitative restrictions in their trade relations with the EC, and, (in part,) with EFTA a year ago, during most of 1992 they were placed at a disadvantage in each others' markets by West European traders. From the standpoint of Hungarian exports this has caused considerable losses in quite a few product categories on the Czechoslovak, and mainly on the Polish markets. Supposedly, the other two countries had similar experiences.

The scheduling of the effective date of the mutual free trade agreement, and developing the contents of the agreement could have provided an opportunity to prevent the loss of some of these markets, alternatively, and could have maximized the chances for regaining these markets. Under ideal conditions, free trade agreements between the Visegrad Group countries, and between the various countries of the Visegrad Group and the EC could have taken effect simultaneously. Had that been the case, the adverse discrimination against the Visegrad Group countries by Common Market exporters would not have materialized in 1992. But having lost the markets, it would seem that regaining these markets would have required more than discontinuing the disadvantage, i.e., even greater mutual concessions (so-called positive discrimination). The agreement signed in Krakow would have provided an opportunity for this if it specified a substantially faster schedule for the dismantling of trade barriers in mutual trade than the free trade agreement reached with the EC, or if mutual free trade had been extended to fields not covered by the EC agreement, such as agriculture and the food industry, for example. Well, the signatories to the Krakow agreement did not take advantage of either of these two methods.

There are several reasons for this. Timing should be mentioned first. Conditions of liberalized trade within the Visegrad Group were established after the countries involved implemented a rapid and large-scale general liberalization of their external economies on the one hand, while on the other, the trade chapter of their EC agreements on association took effect, which in that relationship furthered the opening of the internal market. Along with the favorable effects of opening the market and increased import competition, the first "victims" also appeared in the form of loss of markets by industry branches which could not adapt, or could adapt themselves only with a delay, in increasingly grave employment problems, etc. In parallel with this, in a manner similar to the external economic liberalizing experiences of developing countries, pressure groups began to organize—in some cases industry and professional association lobbies—which felt most threatened by the actually realized, or projected market opening by the Visegrad Group. The joint appearance of these two factors supposedly dampened the determination of the negotiating delegations to remove at the earliest possible date the restrictive trade barriers which protected their domestic markets at least from the exporters of the Visegrad partners.

The other reason we could mention is the small-scale involvement of the Visegrad Group countries in each other's trade, and in the decreasing significance of such trade in recent years, as well as the relatively low absolute level of such trade. In any one of the Visegrad Group countries the weight of the other two countries does not exceed 10 percent; in Poland's and Hungary's case it amounts to about 5 percent. Under such circumstances the opening of the partner countries' markets provides relatively small advantages to the participants, particularly because nowhere can the level of protective customs duties be regarded as high, if measured on an international scale. For this reason many feel that the extent of market opening achieved as a result of the free trade agreement is small.

Finally, we should mention the fact that due to the endeavor to become full members of the EC at the earliest possible date, a belonging to, and/or joining of a Visegrad type, or some other grouping of a Central European character is considered by the Visegrad Group countries primarily as a means to integrate with Europe. Insofar as intertwining trade is concerned, a grouping like this could only play a supplementary role along already dominant bonds established with West Europe—bonds slated to be made into an institution in the near future. This manifests itself in the fact that as soon as one or another Central European country senses that it could become a member of the West European integration without the others, or ahead of the others, it immediately begins to stress its separateness, and regards virtually any form of regional cooperation as unnecessary.

The situation was no different in Czech country that rid itself from Slovakia. Based on achievements in many fields—also recognized by the outside world—in the course of transition to a market economy, on historical traditions, and on the developmental level inherited and preserved after the war, it came as no coincidence that Czech Prime Minister Vaclav Klaus declared that the Visegrad cooperation which hindered the integration of Czechs with Europe was forced upon them from the outside, and that it should therefore be rejected. Irrespective of how real the chances are of the Czech political and economic leadership—that declared its country to be mature for Europe—to actually integrate Czech country with western democracies and developed market economies, we can say that recent, high-sounding Czech statements probably have the least adverse effect on the free trade agreement that takes effect in March.

Namely, in and of itself, the free trade agreement does not restrict the signatory countries in formulating their external economic and foreign policy strategies; although it provides an incentive to reconcile measures affecting trade policy, it does not mandate the reconciliation of such measures; and does not necessitate what the Czech—and apparently to no lesser extent, the Hungarian—economic and political leadership wants to avoid: the establishment of regional institutions to streamline and influence mutual relations, and to reconcile the

perceptions of the participating countries regarding integration with West Europe. One could sense that the framework of the Visegrad cooperation that came about with an eye on West Europe, was loosening as soon as it was recognized that the West's inclination to receive the applicants was not determined by their chosen "integration strategy," and by the question of whether they want to join individually or together. But as a result of experimenting with various strategies, based on economic cooperation among the candidates, through the dismantling of mutual trade barriers, there may evolve workable approaches, which should therefore be welcome.

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From the standpoint of relationships between members of the Visegrad Group of countries, two developments that took place in recent weeks and months deserve special attention. First: An agreement for the gradual introduction of free trade among the four countries established in December will take effect on 1 March. Second: Independent from the partition of Czechoslovakia, the prime minister of independent Czech Country voiced his sentiments opposed to cooperation in the "Visegrad framework" more openly and more forcefully than before. A recent, lengthy study prepared for the Vienna Institute for International Economic Comparisons (WIIW) demonstrates how the clouded perspectives of foreign policy and external economic strategies could affect mutual trade relations. Here are a few examples:

**Hungary's Foreign Trade With the Visegrad Group  
(by origin and destination)<sup>1</sup>**

Country	Export		Import	
	1991	1992	1991	1992
Czech and Slovak Republic	189	290	373	475
Poland	200	143	213	173

<sup>1</sup> Sales based on origin and destination include export and import sales transacted by intermediaries. Intermediaries transacting the largest volume of sales were Switzerland and Austria.

**Hungary's 1992 Foreign Trade With the Visegrad Group  
(by origin and destination)<sup>1</sup>**  
*(In millions of dollars, not including rubles)<sup>2</sup>*

Country	Export		Import	
	1991	1992	1991	1992
Czech and Slovak Republic	153	214	47	357
Poland	139	115	94	107

<sup>1</sup> Sales based on origin and destination include export and import sales transacted by intermediaries. Intermediaries transacting the largest volume of sales were Switzerland and Austria.

<sup>2</sup> There was no ruble trade in 1992.

**Proportionate Share of Some of the More Significant Goods  
Exported by Hungary, According to Customs Commodity Tariff Subdivisions,  
Based on Dollar Value  
(1st-3d quarters of 1992, in percentages)**

Designation	Poland	Czech and Slovak Republic
Livestock, animal products	8.6	1.6
Greases, oil, wax	9.7	6.7
Food preparations, drinks	15.1	10.6
Mineral products	1.0	20.1
Chemical products	17.8	9.4
Synthetics, rubber goods	6.0	5.5
Paper industry materials, textile goods	5.2	5.0
Textile industry materials	8.0	5.1
Metals, other than fine metals, and goods produced from these	3.0	5.5
Machinery and mechanical equipment	7.9	11.7
Vehicles and vehicle component parts	8.7	7.5
Total	91.0	88.7

Source: NGKM [Ministry of International Economic Relations, Export Sale of Goods, January-September 1992]

**Proportionate Share of Some of the More Significant Goods Imported to Hungary, According to Customs Commodity Tariff Subdivisions, Based on Dollar Value—First through third quarters 1992, in percentages**

Designation	Poland	Czech and Slovak Republic
Mineral products	48.1	14.1
Chemical products	14.1	8.4
Synthetics, rubber goods	2.0	5.2
Paper industry materials, textile goods	5.2	5.0
Textile industry materials	2.0	6.5
Metals, other than fine metals, and goods produced from these	16.8	29.2
Machinery and mechanical equipment	4.5	7.8
Vehicles and vehicle component parts	2.7	6.9
Total	95.4	83.1

Source: NGKM [Ministry of International Economic Relations, Export Sale of Goods, January-September 1992]

[Box, p 17]

#### Advantage Out of Disadvantage

The value of our 1991 Czech-Slovak-Polish trade came close to \$1 billion (of this amount, the value of mutual trade with Czech-Slovakia amounted to about \$550 million, and to about \$420 million with Poland). In 1992 the volume of trade increased somewhat, at the same time, however, an internal reorganization took place, as a result of which our trade with the then still existing Czechoslovakia increased by more than 30 percent, while our trade with Poland decreased by about about 30 percent. These trends justify the establishment of a free trade agreement, because the trade chapters of EC agreements on association signed by the three countries have taken effect as of 1 March 1992. Thus a situation has evolved in which the entrepreneurs of the three, or by

now four Central European countries experience a relative competitive disadvantage on each others' markets, as compared to the majority of European countries.

The free trade agreement that takes effect now on a temporary basis will discontinue these temporal disadvantages caused by customs duties, to a significant extent beginning on 1 March 1993.

Based on the agreement, trade barriers that exist in the form of customs duties, other barriers having the character of customs duties, and in other forms will be discontinued for industrial goods by the end of the transitional period, i.e., by 1 January 2001. In other words, insofar as industrial goods are concerned, the dismantling of customs duties takes place in a manner similar to the requirements established in the agreement reached with the Common Market. With respect to

products that are most important from the standpoint of the national economies of the individual countries, products which do not adversely impact on given national industrial policy goals, customs duties will be abolished beginning on the effective date of the free trade agreement, i.e., on 1 March 1993. From the standpoint of Hungarian exports this means that as of that date, 55 percent of industrial products shipped to Czech Country and to Slovakia, and 50 percent of the industrial goods destined to Poland are going to be duty free.

With respect to products most sensitive from the standpoint of protecting the industries of the individual countries (e.g., foundry, confectionary and textile industry, and vehicle industry products) we will begin to dismantle customs duties on 1 January 1995, and customs duties will be fully abolished by the end of the above-mentioned transitional period, i.e., on 1 January 2001. Regarding goods not included in the above two categories, customs duties will be fully abolished between 1 January 1995 and 1 January 1997.

The free trade agreement reached between the Visegrad Group of countries also protects the domestic markets and the industries of the signatories. Among other things, it protects against market disturbances flowing from unusually high volume imports, and provides steps to be taken in case of balance of payments difficulties, measures to protect nascent industries, antidumping procedures, etc.

#### \* Amendments to Local Government Law Expected

*93CH0427A Budapest FIGYELO in Hungarian  
18 Feb 93 p 28*

[Article by "rg": "Autonomous Local Governments; The Program for Taking a Step Forward; Amendments to Law May Be Expected in 1994, Between the Two Elections"]

[Text] Practicing autonomous local governance for more than two years has brought to the surface certain shortcomings of the local government law and related legal provisions. Just a few of the weak points repeatedly mentioned also by the press include the following: the lack of an intermediate level (county) government, the relationship between mayors and representative bodies, Budapest's division into 23 pieces, the situation of cities exercising the authority of counties, etc.

The government has already decided in May 1992 to review the whole of government administration, and to prepare a comprehensive functional plan for the modernization of government administration, and within that, of local government administration. The modernization plan for government administration was prepared jointly by the Ministry of the Interior and the Office of the Prime Minister, and the government approved the plan late last year.

Insofar as implementation is concerned, the lessons learned thus far must be implemented in part during this session of parliament, and in part—concerning fundamental local government administration—after establishing a broadly based consensus of several parties in 1994, between the parliamentary elections and the local elections. Here are a few important concepts of the modernization program:

Issues surrounding local government property must be settled as part of the program in order to ensure the autonomy of local governments. The privatization of local government property must be encouraged wherever such action is justified. The financial regulation of local governments must be developed further; this means the writing of predictable rules valid for a longer period of time, and the development of a more equitable system for the standard and individualized money supply, and further, the provision of incentives to increase local tax revenues, reducing the excessive amount of state contributions.

Solidifying the independence of autonomous municipal governments and allowing the evolution of self-inspired activities by local governments are important goals of the reform endeavors. The program encourages local governments to create the greatest variety of joint associations. In terms of city governments the program regards closer cooperation with the cities' natural zones of attraction as important.

Closer integration of cities exercising the authority of counties, with their environment—the counties—is a priority issue. This is why the program suggests the possibility of forming metropolitan governments with authority extending over a given city and the municipalities within the metropolitan area of the city. Cooperation with county governments would become mandatory regarding certain issues.

Insofar as further developing the Budapest local government is concerned, they intend to strengthen the government at the capital city level, while preserving a certain level of autonomy for district local governments, but compared to the present situation, more fields would be subject to mandatory cooperation, and the authority exercised by the Budapest government would increase. The special legal status of, and conditions for cooperation with autonomous towns and cities in the area surrounding cities (agglomeration zones) must also be analyzed.

One of the main elements of local government reform is the definition of the actual role to be played by county local governments—weakened for no valid reason in the course of the system change. The proposed, possible new county functions include regional planning and area development involving local government infrastructure, a broader array of mandatory public services, and the separation of cooperative and interest representation

functions that aid the various settlements, but no mention is made of reviving the hierarchical role that enabled counties to be the bosses of settlements, as in the previous council system.

Within local government organizations the main trend of development calls for a clearer, more accurate delineation of elected bodies, officials and administrative organizations. For example, plans call for granting independent authority to mayors in certain cases, and for strengthening the town clerks' independence in management and administration.

\* **Problems of Returning Land to Owners Detailed**

93CH0423C Budapest FIGYELO in Hungarian  
18 Feb 93 p 27

[Article by Dr Iren Tassy: "Land Consolidation in the Reverse; Committees Descended on Earth"]

[Text] Land is being distributed once again, but joy is once again mixed with bitterness, as has happened so many times before in agriculture.

In reality, there has been no legitimate way to release land from cooperatives since the enactment of Law No. 2 of 1992—the so-called transitional cooperative law. This, in part, because the segregation of various land banks had not been approved with finality under law, and, in part, because of a lack of owners' forums to render decisions concerning old (new) estates consistent with law.

Since the issuance of deeds for all cooperative land—except for land banks set aside for compensation purposes—became privately owned as of 30 April 1992, cooperatives, as the users of land, had no say in drawing property lines for individual part owners. Only the owners themselves could have made such decisions. The law enabling such decisions, however, was enacted only a year later. The absence of that law has violated interests in a number of instances during the past year; moreover, it also provided opportunities to hold cooperatives responsible for related grievances.

For this reason, all affected and interested parties agreed with the intent of Law No. 2 of 1993 on Land Release Committees, which opened the path to the tangible designation and release of landed property.

The basic concept of this law is that forced joint ownership must be terminated with the involvement of the owners and through institutions established by owners. The forums designed to perform this function are the Land Release Committees, elected by and composed of cooperative members who own land. Accordingly, general meetings of land owners had to be convened by 7 February; at these meetings each owner was supposed to

cast one vote, irrespective of the size of his landed property. These general meetings had to elect their own Land Release Committees.

A function of historical significance was assigned to the Land Release Committees: to actually restore private land ownership from the theoretical ownership of the past decades. The related responsibility of Land Release Committees is also extremely great. The varying quality of various pieces of land, the location of various tracts within settlements, the distance of lands from the center of settlements, and emotional ties to the original pieces of land (at the time they were taken in to the cooperatives) are factors which carry the seeds of possible dissatisfaction with the committees' work, and of disputes and conflicts. Committees are able to eliminate these factors by attempting to bring about agreements among the affected parties, and, in the last resort, by assigning tracts of land based on public lottery drawings.

Legal provisions, and not the needs expressed by individual owners, present the real test for Land Release Committees. The fact that the law provides discriminatory rules by favoring partial owners who apply for the release of their land within 60 days is of questionable constitutionality.

These owners may designate in their petitions the settlement and the land bank from which they claim land, and the piece of land they claim. And if the same piece of land is not claimed by another owner also seeking the release of land, the committee must disregard all other considerations and the interests of all other land owners, and must assign the land to the sole requester.

In contrast, the law provides no such opportunity to land owners who do not want to take possession of their land, but want to lease it to the cooperative. Members of this group of owners will probably constitute a majority in any given committee, and will learn about the exact location of their tracts of land as a result of lottery drawings made by the committees.

The committees also face difficulties because at many cooperatives the ownership share is recorded only in terms of gold crown value. On the other hand, a shortage of land appears if calculations are based on the type of cultivation pursued. This situation has arisen because in the course of designating land banks for compensation purposes, the law permitted that the other land bank, belonging to the membership only, be designated in terms of gold crown value, even though every partial owner had a constitutional right to request the return of his land in the form of land used in the original cultivation pattern, at the time the land was taken in to the cooperatives.

If there is not enough land to accomplish this, the constitutional issue of depriving persons from their property, and related indemnification claims by owners against the state arise.

Land settlement committees of a different character created under different proceedings have been functioning for months relative to compensation land banks.

Law No. 2 of 1993 also provides an opportunity for joint action by the two types of committees. In such cases the two committees may act in the interest of part owners, and may jointly propose to the Compensation Office to review its earlier determination regarding the designation of a given land bank. In such cases the joint land release committee designates the land and grants possession of the land. The joint committee's jurisdiction also

extends to the determination of certain possible investment expenses that increased the value of the land, as well as the extent and details of repaying such investment costs.

Accordingly, everyone is going to have land, but a beneficial cloud surrounds the issue of what people are going to be able to do with their land.

\* Society, Politicians Evaluate Walesa

93EP0180A POLITYKA in Polish No. 7,  
13 Feb 93 pp 1, 13

[Article by Janina Paradowska and Wladyslaw Wladyka:  
"Positive Pluses, Negative Minuses"]

[Text] Those who were with Lech Walesa the day when he announced his candidacy for the Presidency recall the videotaping of his statement. Time and again it would begin with words "Today I have come to a conclusion," but then the cameras would stop rolling. This simply did not sound right. After a few retakes someone changed the text of the speech. "Today I have decided," began Lech Walesa. That was it—the yearning for power was in it.

Our president does not lack the yearning for power. Neither does he share that power willingly with others, as many ambitious politicians have learned, most of all Jaroslaw Kaczynski.

Lech Walesa is a politician with a patriarchal style, which does not really fit democracy, although it does not necessarily contradict it either. Democracy should simply follow prescribed designs and everything will be all right. In the meanwhile, the Father, surrounded by his compliant sons, holds a carrot in one hand and a stick in another, always has the last word, and talks warmly to the people. He is a little bit mysterious, unapproachable, and capricious, but he always knows better and sees further than others. Certainly, he is nobody's buddy. He wants power for himself. All existing agencies of the state, as well as his entourage, are to implement his decisions. It may be that Walesa is right in this on a truly historic scale, in which case he will be immortalized. However, it may be that he is wrong.

A debate about all aspects of this puzzle is taking place in Poland. According to Jaroslaw Kaczynski, the president is wrong and he should resign on his own. The reasons are many—he has played a pivotal role in the postcommunist political arrangement (or simply put, he is Red). Furthermore, he neither implements the "New Beginning" program nor has legitimacy. Walesa's legitimacy is also questioned by Jan Parys. In his opinion, the president was elected according to the rules of the old constitution, which gave him little power. Subsequently, however, the new Small Constitution was adopted, which gave him much more power. Therefore, the change of the Presidency's prerogatives should be followed by the change of the president himself. Really, the Poles, who have little knowledge of constitutional law, may become confused by those political somersaults. Until recently, they have been told that the old constitution was nothing more than a jacket tailored at the roundtable for Jaruzelski; that is, for a president elected by the National Assembly. Now the president is elected in direct elections and the source of his power is different. Hence, this power must be expanded.

In the same vein, the president should resign because he is either Bolek himself [a code name of a still unidentified agent of the communist security service] or is at least involved in the Bolek affair. We have to admit humbly that we do not know who Bolek is. Therefore, we will not tackle this issue. If Bolek was an agent and Walesa was Bolek, that is, if Walesa was a communist agent, one has to congratulate him on his shrewdness. After all, even the people most suspicious of the KGB conspiracies do not question Walesa's contribution to the overthrow of communism. Neither will we discuss the charges that he is "the Red president" who has played "the pivotal role in the postcommunist political arrangement." We feel that we have been beaten in that by such authorities as Deputy Switon and Jaroslaw Kaczynski. Furthermore, we are not competent to address the charge that Walesa has not implemented "The New Beginning" program. We would rely here on the opinion of Deputy Ryszard Bugaj, who claims that Walesa has never had any program, having been instead convinced that the private property is the best type of ownership. This actually explains a lot of Walesa's actions with regard to economy. Lastly, we will not open a debate on constitutional issues because Mr. Parys' claims are plain rubbish in our opinion. He either does not have the slightest idea about the constitutional matters or plays dumb for political purposes.

Another thing is that the president does not pamper the Poles, having not bothered to explain to them his fundamental, long-term philosophy that would last at least one generation. Instead, he operates from day to day, often very effectively to be sure, but it is really difficult to predict what he will do next: Whom will he dump from his entourage? Whom will he bet on in the parliament? What will he come up with and say?

What should one tell one's kids when they ask what the president is about?

Discourse With the Nation

The second part of the puzzle is the president's discourse with the nation, as well as his way of conveying his thoughts and ideas. A strange reversal of roles has taken place in the current political struggle. Jaroslaw Kaczynski, a politician more familiar with the corridors of power than with his electorate, becomes hoarse at the rallies, whereas Lech Walesa, a populist leader, practices the art of letter writing. The number of letters which the president has sent out in recent days is impressive indeed, although they were completely unnecessary, given the fact that they did not solve any problem. Mr. President might have already realized that, since he pointed out at his latest press conference that he had had more rally experience than Kaczynski.

Donald Tusk has suggested that it is imperative that one distinguish between Lech Walesa's decisions and his communication skills. When one analyses both of these realms, one can see "good decisions side by side with ugly communications." The question remains open how

the good decisions can break through the wall of mis-communication? What is visible to the politicians involved in the parliamentary and government machinery is not necessarily visible to the public opinion. What the public opinion hears and sees is Walesa's making self-congratulatory statements, criticizing others, avoiding straight answers, indulging in incomprehensible digressions and making major blunders ("Kaczynski and his husband" for example, or his uttering about the possibility of the price decrease by 50 or even 100 percent), etc. In addition, the public opinion hears Walesa's bragging that he will win the next elections by a landslide (interestingly, the people, as opposed to many politicians, do not believe it). The public opinion sees it all and gets upset. Although Walesa keeps reiterating that he is an untypical president, not used to the champagne parties, the majority of the people would like to see in the Belweder someone who does not keep himself busy with solving crossword puzzles at the very moment when Tadeusz Mazowiecki gives a beautiful address about ethos. In case of President Lech Walesa, the conflict between his personal style and his political efficiency is very deep indeed. Everybody can see his style. Not that many people can see his efficiency, given the fact that the nucleus of politics—where all the action takes place—is still quite exotic and obscure to the broader public in the nascent Polish democratic system. Hence, every conflict is immediately called "the war at the top," every difference of opinions is perceived as a disaster, and every insignificant political quarrel is seen as something that threatens the foundations of the state and/or destabilizes its structure.

Almost 60 percent of the Poles do not approve Walesa's performance as the president of RP [Republic of Poland]. Only 20 percent approve it, while 20 percent do not have an opinion on this issue.

Almost 36 percent of the Poles have been ashamed of their president often or very often (19 percent have never been ashamed of him). Fifty-one percent have been often or very often disappointed by him (only 6.7 percent have never been disappointed). These are the results of a survey, commissioned by RZECZPOSPOLITA and conducted by the Sopot Social Research Laboratory in the second half of January [1993], that is at the time when the squabble about the Belweder was in a full swing. The president has aggravated the younger generation the most—almost 69 percent of respondents in the age bracket 25 to 39 years did not approve Lech Walesa's performance as the president.

Furthermore, various radio and press surveys, as well as our everyday contacts with the public, indicate that the disapproval of Walesa becomes more and more emotional. It is simply fashionable to talk about him negatively, to call him names, and to laugh at his enigmatic soliloquies and linguistic awkwardness. This trend has always been present, but one cannot but to notice that it has grown considerably even before the appearance of

the "June left forward players" [former Prime Minister Olszewski's group], who try to exploit the public disapproval of the president.

"It may lead to the situation where the post of the president as such will be questioned in the future," says Zbigniew Bujak. He is not the only one who holds this opinion.

#### **Difficult Partnership**

"Our politicians have already learned that it is more important what Lech Walesa does than what he says. His words show contempt for democratic arrangements, which—fortunately—is not the case of his actions," says Aleksander Hall. "His Presidency is an exercise in difficult partnership," adds Andrzej Zarebski. "The parliament has to constantly keep an eye on the Belweder games. The phrase 'difficult partnership' pertains also to the relations between the president and the cabinet."

Given the unequivocal character of Lech Walesa's Presidency, it is surprising that politicians representing a broad political spectrum hold quite similar opinions about him. From the Left to the Right, they all agree that Lech Walesa, as the president, has obeyed the law and the Constitution, and will not violate the principles of democracy. Politicians as different as Jozef Oleksy and Aleksander Hall talk about his in unison. Donald Tusk has put it directly—this is not a president who would rape democracy.

To be sure, the politicians also agree that Lech Walesa is not the best champion of the parliamentary system. Although he talks about democracy a lot, and in spite the fact that he has always yielded to democratic procedures, Walesa will not always trust them unreservedly. Neither will he always trust the political parties. He prefers to play the game with particular politicians rather than with the whole political groupings. Walesa attempts to keep everybody at bay. One may recall that during his tour of the various editorial staffs he took pleasure in deriding political splinter groupings, whose line the public opinion has bought. Minister Lech Falandyk has repeated many times recently that the president will never let anybody take over the whole political scene and that he will always try to keep a balance. That balance gives him a clear advantage. Everybody agrees that the president will try to amass power step by step. Lech Walesa knows what power is and how to use it—the Left and the Right agree on this as well. Writes Adam Michnik: "The goal of the Belweder game is simple: using mafia-like tactics and personnel appointments, to take over all significant centers of power in the state—the police and the army, the justice system, the mass media, as well as the special services. Jaroslaw Kaczynski is right in this regard—when one examines the Belweder's personnel appointments, one has to be prepared for the worst."

At the same time, the great majority of politicians agree that the president does not intend to overthrow democracy. Instead, they believe that Walesa wants to take it

over gradually and subordinate it to his will. And he has been quite successful in this endeavor, which has been facilitated by his personnel appointments and by his creating a peculiar aura around the Presidency.

Walesa's Presidency began in the atmosphere of a besieged fortress. His attempts to make up with his recent enemies—the prominent activists of the Democratic Union—ended in failure. His ideas, such as the concept of the Presidential Council, were perceived as attempts to overthrow democracy. He was unable to patch up whatever had been torn. Today, by contrast, several councils—composed of the prominent figures from the Polish intellectual and political elite, as well as the business community—provide the Belweder with advise. The Union's politicians not only are Walesa's frequent guests, but they do not even try to hide that they like that rapport. Besides, many of them share an opinion that the post of the president contributes to the stability of the state, despite the fact that some of Walesa's closest associates bad-mouth him behind his back. To be sure, one can understand Adam Michnik's concern when he claims that the model of the democratic system in Poland has been undermined. One can also understand that concern when one sees Walesa's entourage, especially its inefficiency and inability to spare the president from blunders, not to mention the fact that the entourage itself fumbles time after time. Still, his linguistic awkwardness notwithstanding, the president has come up with a few worthy concepts—the grand plan for Poland, NATO-bis, EC-bis, and the idea of allocating 100 million zlotys [Z] to every adult Pole as the enfranchisement process moves ahead. The problem is that these ideas have never been properly explained to the public, since the president does not have a staff that would be capable of that. As a result, the president's opponents would either use these concepts against him in the process of political brinkmanship (e.g., the idea of NATO-bis), or they would charge that he did not keep his electoral promises (e.g., the idea of distributing Z100 million to every Pole).

#### **Marriage of Convenience**

What makes Walesa strong is the weakness of his opponents.

A few months ago, when he was still in the opposition to the Olszewski government, Jan Maria Rokita confessed in an interview to TYGODNIK POWSZECHNY: "I support Walesa out of desperation." He rendered his support to Walesa because he saw the inefficiency of the political grouping in power at that time and its peculiar political ideas (decommunization, the personnel file review, and other inventions). We do not know whether J.M. Rokita, this time as the chief of URM [Office of the Council of Ministers], still supports Walesa out of desperation. But the fact is that many politicians compare today their relation with Walesa to a marriage of convenience.

Here is how the politicians from the two opposite camps explain this. According to Andrzej Zarebski (KLD [Liberal-Democratic Congress]), Lech Walesa has no ideas of his own. He just compiles them from different sources. Paradoxically, this is also the secret of his success. When he needed a program for the electoral campaign, he did not turn to the "Network" or Solidarity. Instead, he asked the liberals for the program. If one were to do Walesa's balance sheet, it would have to be in the black. Walesa might have delayed the issue of reprivatization or halted the work on the radio and television bill for a while. But he has always favored the main trust of reforms. (It is worthy recalling here that the Advisory Committee of the Council of Ministers used to organize conferences of economists, which in fact were disguised attempts to oust Leszek Balcerowicz. Walesa put an end to it.)

In turn, Jozef Oleksy (SdRP [Social Democracy of the Polish Republic]) credits Walesa with the fact that the institution of Presidency, restored in Poland after 50 years, has been accepted and acquired political significance. Oleksy describes some of Walesa's moves, e.g., his choosing Waldemar Pawlak as the prime minister-designate in an extremely complex political situation, as very fine indeed. That particular move could be considered "the masterpiece of the year 1992," an opinion shared by many a politician. Lech Walesa, as one of very few Solidarity politicians, has been able to free himself from the trap of history. He is not a prisoner of one finite set of ideas. Hence, for example, his call for a balanced political system on the one hand, and his veto to the bill on the retirement benefits of the military and police personnel on the other.

In general, when one judges the president's policies, his style of work, his actions from day to day and from month to month—his balance sheet turns out to be better than the public opinion can see it. The main reason for that is the lack of an alternative to Walesa's Presidency. According to a survey conducted by CBOS [Public Opinion Research Center] (see insert), neither the Polish political scene nor the Polish electorate is ready for the new presidential elections. Although Walesa is not ranked the best, there is no real counter-candidate to his post. Therefore, we are going to continue living between the positive pluses and the negative minuses—as Walesa himself put it—of his Presidency, uncertain of the future. Most likely, Lech Walesa is not a great visionary and strategist—he will not lead another strike in the Gdansk Shipyard—but neither will he buy the Brooklyn Bridge from some rip-off artist.

If God really loved the Poles, he would make the pluses of Walesa's Presidency truly positive. After all, the Small Constitution, as well as the Charter of Rights, contain a sketch of the new democratic order. At the same time, the Lord could ease up some of the minuses of that Presidency so as to strengthen democracy against attempts to muzzle it.

To tell the truth, however, we ourselves could take care of this problem. In particular, this is the task of our political elite which, unfortunately, all too often behaves like a weather-cock.

At POLITYKA's request, CBOS collected answers to the following question in the period January 28-February 1, 1993. The Poles responded in the following manner (in percent):

If the presidential elections were held today, which of the following persons would you vote for?	
Ewa Letowska	12.8
Zbigniew Brzezinski	10.7
Hanna Suchocka	9.4
Waldemar Pawlak	9.4
Lech Walesa	6.7
Tadeusz Mazowiecki	5.6
Stanislaw Tyminski	5.1
Wojciech Jaruzelski	4.3
Jacek Kuron	4.2
Leszek Moczulski	4.0
Wladzimir Cimoszewicz	2.8
Jan Olszewski	2.7

As many as 15.1 percent of respondents stated that they would not vote at all. Another 2.8 percent would vote for different candidates than those listed above, while 4.2 percent had no opinion in this matter.

Among the first four most popular candidates are two women, two university professors, and altogether three persons active in the field of sciences in one way or another. In addition, those four candidates are people whose political style is most likely perceived by the Poles as dignified, rational, and balanced. With all due respect, the high position of Zbigniew Brzezinski on this list is probably yet another expression of a popular belief in a "miracle-maker from the West." It had already made itself known during the presidential elections, when Stanislaw Tyminski—another "raider from nowhere"—unexpectedly collected more votes than Tadeusz Mazowiecki. Even now, both gentlemen occupy close positions in the middle of this ranking list. One cannot but to notice that Jan Olszewski, favored by some of Lech Walesa's opponents as a candidate to his post, took the last place. No comment.

Lech Walesa ended up in the fifth place, which is a solid, comfortable position, but clearly "off the target."

However, that list of presidential candidates is misleading. At least one candidate—Zbigniew Brzezinski—will not run in the elections, due to both formal and ideological reasons, which he has recently talked about on Polish television. Furthermore, one can safely assume that Wojciech Jaruzelski and Jacek Kuron will not run either, each of them for different reasons, of course. The fact is that if this list were real, not fictional, the public

preferences would be different. For example, whom would the proponents of Zbigniew Brzezinski vote for?

We have withheld the supplementary data regarding the above ranking list. But, according to this data, E. Letowska is especially popular among the Poles who live in cities, are better educated, and richer than the rest. In contrast, W. Pawlak is more popular in the countryside, which should not surprise anybody. In turn, H. Suchocka's electorate is the most balanced and best represented (should the Presidency be held by someone who is "the president of all Poles"?), while Lech Walesa is supported by many people who go to church more than once a week.

In a way, it was a make-belief survey, although it has provided food for thought. It was make-belief because it has neither gauged the real preferences of the electorate nor the actual power of the candidates. The latter could be also measured by the candidates' ability to organize their campaign, experience, and other talents which may come in handy in the heat of the battle. For example, if one takes into account preferences of the younger generation (people less than 34 years old), that might be more active in the electoral campaign, or preferences of the older generation (people older than 55), that might vote in a more responsible manner, it turns out that L. Walesa's position improves significantly, to the point when he can realistically compete with the first four candidates on the discussed list.

In any case, it appears that the CBOS survey indicates that neither the Polish political scene nor the electorate is ready for the presidential elections yet.

#### \* Arendarski on Future Trade Relations

93EP0177B Warsaw RZECZPOSPOLITA (Economy and Market supplement) in Polish 1 Feb 93 p 1, I

[Interview with Andrzej Arendarski, minister of foreign economic relations, by Danuta Walewska; place and date not given: "Thoughts on Trade With the West and the East: A Pillow for 3 Million"]

[Text] [Walewska] When you took office, you said that enterprises and not the state should trade with other countries. But concessions and contingencies remain.

[Arendarski] This is due to the state of our economy and the unbalanced state of the market. We must protect it just as we do the refinery industry, which would fail if we allowed unlimited import of fuels. Another reason for limitations is due to agreements such as those with the EC, where we were assigned export limits for textiles and steel, for example. We are influenced by the agricultural lobby, which demands introducing the highest tariff barriers. We have to control this also because an increase in barriers on our part is linked with counteractions on the partner's side. Another sphere that the state must control is weapons exports.

To summarize, I am in favor of a judicious protection of the market and national industry. Judicious means not limiting competition inordinately and limited in time.

[Walewska] Sometimes partners of the ministry complain of the slowness of the ministry, at least the car dealers. They believe that they would sell significantly more cars from last year's delivery if the paper work involved could be done faster.

[Arendarski] The information I have is different: It was the dealers who thanked Deputy Minister Kisielewicz who is responsible for expeditious execution of the whole transaction. I heard complaints, however, about the Warsaw customs department that delayed interpreting the regulations. After intervention, everything proceeded without problems. I would like you to remember that customs, like every fiscal service, is rather conservative. I understand the intentions, such as concern for maximum protection of the interests of the State Treasury, but excess bureaucracy and groundless lack of trust of businessmen—all of this may act as a very effective brake in foreign trade.

[Walewska] What are your chances for persuading President Zielinski to implement your demands?

[Arendarski] Because the Main Customs Office has great autonomy as a central office, I can give the president my suggestions but not make demands. In the most serious cases, I can request that the premier remove President Zielinski from the office, but this would be a last resort. I must add that I highly value cooperation with President Zielinski and no circumstances have arisen that would require me to take such drastic measures.

[Walewska] Our exporters, especially textile and recently steel exporters, have met with difficulties in exporting these articles. They complain about dumping. Do you think that this is normal trade practice?

[Arendarski] Exporters of textiles and steel have finally begun to act like a real lobby. It is good that these groups are able to articulate their problems. On the other hand, we know that an unfavorable situation exists in these branches of the economy in the EC. The steel industry is undergoing serious changes and is defending itself against import in excess of recognized quotas. There also exists a very efficient import monitoring system that is the source of complaints. The United States market seems to be reacting the same way, and there is pressure to initiate an antidumping measures, as has actually happened: Poland is the only country out of 19 accused of fixing lowered prices.

[Walewska] We have a "triangle," actually a square. We okayed an agreement with EFTA [European Free Trade Association] and an association pact with EC. Do you think that our trade is subject to European conditions?

[Arendarski] That is the logic of development. The future belongs to international economic regions. The

world is linked regionally. We also must belong somewhere. I think that we have "attached ourselves" to a good agreement. On the one hand there is the EC, and on the other, we occupy the position of indisputable leader in the "post-Soviet group." Agreement on free trade, which is a tested principle, engenders growth in national income.

[Walewska] Computations of world financial institutions indicate that if the world will have greater than expected economic growth in 1993, this will be due exclusively to southeast Asia. Meanwhile, we have become attached to Europe.

[Arendarski] Poland will maintain its orientation because two-thirds of our trade is with EC and EFTA countries. This is a stable foundation for our economic relations. At the same time, we may be pursuing the far-eastern markets somewhat too lethargically. We resolved this year to give special attention to that region, to promote trade and to learn from them.

[Walewska] Take China for example: 11 percent economic growth during the past year, and the Ministry of Foreign Economic Cooperation is closing its office in Shanghai and moving it to Hongkong, which will cease to exist in four years....

[Arendarski] First, we are not closing the Shanghai office, furthermore, we will reactivate the office in Canton. Hongkong is China's window on the world through which approximately 60 percent of Chinese foreign trade passes. The mistake was that we were not there sooner, and we will certainly stay after 1997....

[Walewska] What of the offices of trade consultants? The end of 1992 brought information on the problems of the Office of Trade Counsel in Delhi and Moscow, which the embassies wanted to take over.

[Arendarski] Actually, there were certain tensions that might be interpreted in that way. There was also a joint meeting of the Commission for External Affairs and Foreign Economic Relations where many specific claims were made to the Office of Trade Counsel [BRH]. We verified that none were substantiated; nor was the information on bad relations between the embassies and BRH substantiated. The wise conclusion of that meeting emphasized the need for functional offices better to meet the needs of Polish enterprises and promote Poland.

A special commission was established by the Ministry of Foreign Affairs and the Ministry of Foreign Economic Cooperation to work on the future of our offices. As a result of their work, a new model of the offices and new relations between the embassy and BRH are beginning to form. The trade consultant will be directly responsible to the ambassador but will be an employee of our ministry and will be paid by it. Subsequently, we would like to divide our foreign service into two branches: an economic branch, which would be part of the embassy, and

a promotional-service branch responsible to the promotional institution similar to the Japanese JETRO. In a month or two, we will be ready with such a plan and will submit it for discussion.

[Walewska] How do you envision trade with the West in 1993?

[Arendarski] We are trying, first of all, to be patient; we are soliciting this market. Unfortunately, not all of our partners appreciate the importance of devising new mechanisms. I understand this, their situation is more difficult than ours. We are trying various means, sometimes informal ones, as, for example, is the case with our relations with Belorussia. Unfortunately, we have somewhat limited means for guaranteeing our exporters cheap credits and credit insurance.

[Walewska] In general, is there any chance that export insurance will move?

[Arendarski] We have an embryo of this institution, the Corporation for Credit Insurance [KUKE], which was well planned. But again everything is breaking down due to lack of funds. I wanted to reinforce KUKE with budget funds, but this was impossible. Insuring export and short-term credits for exporters is a good idea for

trade with the West. I know that we can also count on the World Bank for support. Creating this type of institution is not the role of the government today. We have a duty to help, to facilitate contacts, and to create a legal framework. We do a bit more by becoming involved in these matters personally.

[Walewska] How do you evaluate last year's export?

[Arendarski] We cannot complain. It was better than we might have expected due mainly to setting in motion certain reserves and limiting the demands of the Polish market, but due also to the easier access to foreign markets. But we do not have good information on export markets, and we do not have insurance or good commercial credits. Our businessmen frequently know foreign languages somewhat inadequately and are not adequately prepared to play the game in foreign markets. Also, we do not have good marketing. Beyond that, it would be worthwhile to pick up the statistical annual and divide sales according to number of residents: The result would be alarmingly low.

[Walewska] From what you say, I see that Poland still has large reserves and so it is within our capability to export them. It is awesome to think how exports will grow when we learn how to utilize them.

**Manolescu Opposition, Government Effectiveness**  
*93BA0615A Bucharest "22" in Romanian 11-17 Feb 93*  
*pp 8-9*

[Interview with Nicolae Manolescu, president of the Civic Alliance Party, by Andrei Cornea; place and date not given: "In the Negotiations for Government, and in the Elections, We Lost 'When We Had the Upper Hand'"]

[Text]

**A Traumatized Opposition in an Invisible Parliament**

[Cornea] Mr. Manolescu, after your famous entrance on the political scene following the Moscow putsch and after your significant presence during the electoral campaign, many people feel that you are now in a penumbra. They are asking "Why is Manolescu absent?" You were absent from a reconciliation meeting with the Civic Alliance, your absence was noted at the UDMR [Democratic Union of Hungarians in Romania] Congress, and even at the Writers' Union. What is happening?

[Manolescu] Of course, if we are talking about me and not about the Civic Alliance Party [PAC], the explanations are as can be expected, of a personal nature. There is no question that I cannot be everywhere I should be, but I do not think that this is the real sense of your question. The sense of the question is why the opposition parties are currently in a penumbra; part of the answer is perceptions, but there is also a measure of truth. Appearances are explained by the fact there are many unseen matters in the activities of parties (and of some party leaders). As far as the PAC, are concerned, we are getting ready to hold a congress, and, as is usual under such circumstances, organizational activities take priority over appearances on television, radio, or elsewhere; these activities are invisible to the public. The measure of truth refers to the fact that the opposition is still in shock, somewhat traumatized by the results of the September election. Many people expected the opposition to win, to form a government, but what happened produced a long-term negative effect. Actually, one visible part of our activities is our presence in Parliament. But the Parliament that was formed toward the end of October and spent more effort on organization than on discussions and legislation proposals, is an invisible Parliament. This was followed by the parliamentary vacation required by the Constitution, and here we are now, at the beginning of the second session. We hope to become visible soon, as everyone expects us to be.

[Cornea] Getting back to the party, particularly now when it is preparing for a congress. Three motions have been mentioned, each with a different ideology. Also mentioned has been some turmoil caused by the party's vice-president, Stelian Tanase. What can you tell us about these? Are the motions strictly ideological, do they also have personal connotations, or do their words justify the interests of some groups?

[Manolescu] The motions are strictly ideological, each one of them is backed by various people, and it is not impossible for different interests to exist in some cases. Except that our statutes, unlike those of the FSN [National Salvation Front], do not require that the primary motion at the congress automatically become the foundation of the group that has advanced it, and that the respective group lead the party. That is because we started out with the idea that any party must ultimately identify the electoral segment it represents (and implicitly, its doctrines). I do not believe that the doctrine of other parties is more precise than ours simply because they have a more historical name; rather, it is only because no one questions them, everyone believing in the strength of inertia, so that if your name is PNT-cd [National Peasant Christian Democratic Party] or PNL [National Liberal Party], your doctrine is already well known. I do not think that after 50 years of communism the PNT-cd (formerly the PNT—National Peasant Party) or the PNL can still use the doctrines previously associated with their parties.

As a party that emerged in 1989, we are of course constantly asked about our doctrine. And since the possibilities are not infinite, people are asking what exactly we are: liberal, Christian-democratic, or social-democratic? This is flattering, because no one asks whether we are extremists, for instance. As a result, we started with this basic fact and thought we would see eventually the orientation of the major inclinations of those who form the PAC come into focus. And because these inclinations do not manifest themselves spontaneously, several motions were formulated by some of our members capable of political reflection. Currently, we have three motions and two additional documents that at some point could be appended to one of the three motions. One of these motions is in essence liberal, another is Christian-democratic, and the other is social-democratic—in other words positioned between actual liberalism and those values that the Civic Alliance [AC]—and generally speaking the movements and ideas that followed the anti-communist revolution—imposed on social and political life. As expected, these motions are not sharply defined, because right now we have neither 100-percent liberalism, nor 100-percent Christian-democracy, and not 100-percent social-democracy; there are rather wide superimpositions among all of these trends. The values in evidence in post-communist society are in many cases not very well defined either. That is why we decided not to link motions with the promotion of specific people to party leadership, in other words not to allow the predominant motion to bring a specific group to power, since that would have excluded others. Not only did we not want to exclude anyone, but it seemed to me that such a step would also not correspond to the party's ideology, since those who speak of Christian-democracy agree with those who speak of liberalism in more ways than they disagree with each other. It would have been wrong to break up a party that until now has remained among the few that have not split. It is almost certain that at the congress we will

adopt a definition of the party that would clarify the orientation of the majority of the ideological options of PAC members, and it is almost equally as certain that this option will not be 100-percent liberal, nor 100-percent Christian-democratic; we will probably retain the civic profile with which we started.

As for Tanase, he is a difficult man, who does not have good relations with people in general. He has had his share of critics for different positions, particularly in the National Committee or in chapters, where his statements have baffled his listeners. Beyond that, however, Tanase is a man capable of genuine political thought, with political erudition, and it is not incidental that together with Calin Anastasiu, he is one of those who is promoting a motion: He originated the PAC liberal motion.

#### **The Question of Merging With One of the Liberal Organizations Never Arose**

[Cornea] I hope this does not mean that all the PAC "liberals" identify with Tanase! But speaking of liberals, it is being widely said that PAC will merge with the current liberal parties. Is this true or a rumor?

[Manolescu] It is a rumor. First of all, it is the duty of the liberal movement to find means for reunification. Unfortunately, when two liberal organizations meet to form a single one, they end up as three. The differences do not pertain at all to doctrine but rather to people, to personalities, and differences there are probably too great. As long as the liberal movement does not develop some unity, it is premature to discuss a merger with the Liberal Movement. In fact, until the congress and a definition of our program and political profile, it is also premature to discuss a merger. The question of a merger with any of these organizations has never arisen. No one has come to us to say: let us see whether we can merge; nor have we gone to others. But this does not mean that we did not meet with almost everyone and that we did not try to clarify our respective positions.

[Cornea] The PAC's attitude toward the Democratic Convention has come under a lot of discussion. Two possible positions toward the Convention have been outlined, and one is the position promoted by the Civic Alliance. It perceives the Convention not only as a meeting of parliamentary parties, but also (and that is what in fact it is today) as a meeting of extra-parliamentary organizations, of associations, which would do well to achieve the strongest union with each other. On the other hand, the PAC promotes the idea of a smaller Convention, or at least one limited to parliamentary organizations. How do you see things today, at a time of an obvious offensive from the conservatives, the "nostalgists"—as they are called (which is too beautiful a word for them)—at a time when it would seem that civilian society and all democratic forces should truly gather together?

[Manolescu] Arriving at a union of the forces capable of forming the core of civilian society is of course an ideal which all of us must endorse. Unfortunately, things are

somewhat different in practice. We must clearly distinguish between the political means available to parties and the means of another kind that are available to such organizations as the Civic Alliance, the GDS [Group for Social Dialogue], or other similar organizations. At one time, Ana Blandiana was saying that the purpose of the Civic Alliance was to work on those who elect, not on those who have been elected. This definition (which we all adopted when we created the Civic Alliance) is not quite appropriate for a party. A party does indeed work on those who elect, but in other ways (and in any case, from a distance). A party's first priority must be to attend to those who are to be elected. The terms and the pace are different, and this inevitably leads to misunderstandings and even conflicts.

#### **In Order To Be Effective, the Convention Must Be an Alliance of Major Political Parties**

The Convention has constantly struggled with two ideas: On the one hand, the idea of being as comprehensive as possible, a concept endorsed by Petre Mihai Bacanu, who says that all possible democratic organizations must be brought into the Convention; and on the other hand, the more restrictive position (also supported by PAC among others) that the Convention must include only parties, and if possible only parties with representation in Parliament or parties of some magnitude. Although it is very attractive, Bacanu's concept presents a practical shortcoming: the decisions of the Convention (which is a political agent) are subjected to a vote that includes the participation of organizations that are mostly without party identification and whose political goals are distant. In other words, any decision that must be taken rapidly and that concerns primarily organizations involved in political and parliamentary battles, will as a result be sometimes delayed or weighted by interests that are neither immediate, nor political, nor parliamentary. We have seen for instance lists of candidates that used pressure from smaller organizations to bring into Parliament people from parties that are practically nonexistent (or that barely exist in the country). This has created electoral campaign problems. Bucharest would send to the counties lists of representatives for organizations that did not exist locally, while representatives of organizations that did exist locally were not listed. Under these conditions, campaign motivation was absent in about 50 percent of the counties. We have maintained that especially now, the Convention must become an alliance of major political parties, which means parliamentary parties. Its effectiveness would be much greater and decisions much more rapid.

Currently, the Convention is a very large and ineffective organization (in Bacanu's sense). During this Convention, I have sat through hours and hours of discussions that have led to no decision. Too many people, too many interests, too many divergent positions to achieve the expected results. The result must be a decision, i.e. "Monday we come into the Chamber of Deputies or Senate with the following position, which the following

persons will support; during the vote we proceed as follows, and so on, and so on."

[Cornea] Yes, but on the other hand one could argue in the same terms that according to your formula you would have to exclude the Civic Alliance (which remains a strong force in the Convention) and continue to keep insignificant parties like PSDR (Romanian Socialist Democratic Party) or PER (Romanian Ecological Party), which won seats in Parliament only because they are in CDR [Democratic Convention of Romania], because otherwise no one would know about them today. Why should you negotiate each time with representatives from these parties (granting that they are in Parliament), rather than with others who are at the forefront of large organizations and who could play significant roles, particularly at local levels.

[Manolescu] You should probably not forget that the Civic Alliance is composed of members from very many parties. I do not know of many Civic Alliance members who do not belong to one party or another.

#### Who Is in a Position to Examine Future Candidates?

[Cornea] It still seems that most of them, as far as I have observed at the Civic Alliance Congress, do not belong to any party. One large group belongs to PAC, although it is possible that in the meantime some of them might have resigned following the AC-PAC scandals. There are also some who belong to PNT-cd, but there are very few Civic Alliance members who belong to PSDR or PER.

[Manolescu] I can tell you that more precisely: the majority are PNT-cd members and liberals. When PAC was formed, those who wanted to join PAC were leaving the Alliance, while those who belonged to other parties remained there. This also raises the question of vote accuracy within the Convention. There are many organization leaders who participate in the Convention vote, and who in a way have a double vote: they are members of AFDPR [Association of Former Political Prisoners in Romania] and PNT-cd, of PAC and the Civic Alliance, of AFDPR and PAC, and so on, which creates irregularities in vote counting. I do not find it very proper for instance, to have someone from UMRL [World Union of Free Romanians] such as Grabowski, vote both for UMRL and for PNTCD; or to have Tici Dumitrescu vote for AFPDR as well as for PNT-cd. This double voting would disappear if the Convention were limited to parties, without anyone forbidding Dumitrescu to vote: he is a member of the PNT-cd, not to mention his seat in Parliament. Not that his vote was ever under question, but he is not the only one. These superpositions occur at each local convention, in each local or county convention committee, and have eventually created extremely unfair electoral lists.

[Cornea] Everyone knows that many problems have arisen in drawing up the lists. Nevertheless, Andreeșcu now says in an article to be published next week in "22," that although PAC has very valuable people who it would be in its interest to promote on well-placed lists, it

eventually adopted the percentage principle, the principle of allocating to each party a percentage which it will then hold. At the same time, the Civic Alliance supported, without success, the principle of competition among candidates independently of their political positions.

[Manolescu] Unfortunately this is not how things are for Andreeșcu, who did not participate in the negotiations and who does not exactly know the current situation. The proposal not to vote by percentage, and the proposal that the lists be drafted from "below"—in other words, that they not be established by party national committees, by the Convention Bureau, but by county committees—came from us, from PAC. We asked for this procedure precisely in order to avoid placing on the Headquarters list people from parties that do not exist in this country. Except that this was not accepted by the Convention Council vote, where we were defeated. And it was natural that we should lose in the same voting system in which everyone has a vote, under the conditions in which they represented different forces, and in which the interest of many small parties in the Convention was that the lists be drafted from Headquarters. This is the only way in which some parties could presently have a greater number of representatives than they deserved in Parliament. The Civic Alliance proposed something else: It proposed that the candidates from all parties be called and discussed in a sort of examination. I must say that I was also tempted by the idea at first, but I ultimately did not support it, nor did I oppose it; in fact, it was never subjected to a vote. But the question that did arise was who would evaluate future candidates.

[Cornea] They wanted something that was used to elect single candidates.

[Manolescu] Exactly. Now, as one of those who have gone through such an election, I can tell you what its shortcomings are. I do not want to offend anyone, but I can tell you that there were enormous differences between the members of the Electoral Council that ultimately decided on the candidacy. Let me tell you now—and I hope nobody will think I'm trying to get even—that some of them had no business becoming involved in the process of nominating a presidential candidate, because they did not understand what was involved. The same thing was repeated on a wider scale in drawing up the lists; such a large number of candidates would have probably taken days and weeks of discussion without a possible decision. So in the end how did we decide, through a vote? But I assure you that ultimately the result of the vote was the same as that of the lists that are being drawn right now, because at the time the vote was taken party and organizational interests took priority over the inclination to show off one's talents. And finally, through convoluted paths and after horribly long and complicated discussions, we would have ended up at approximately the same point we reached by direct vote. That is where matters stood, and I still regret that we did not stick with the principle of proposing candidates from "below." We should have let the county conventions

decide, and we should have gotten involved only in litigations to arbitrate conflicts, of which there obviously would have been a large number; but in any case, in most cases, we would have decided on the basis of the people sent from below. County conventions are not infallible, but people there know one another and know what we at Headquarters do not know: Who are the people who stand the best chance at the local level.

#### FDSN—Between Europe and Managing Its “Allies”

[Cornea] The Convention electorate is currently also rather dissatisfied with the performance of CDR representatives. It has the feeling that things are not moving as they should. Two examples: first, after the elections, there was President Iliescu's famous proposal calling for a national unity government; the negotiations that followed produced no results, and the Convention withdrew to become part of the opposition. The question immediately arose whether this would not encourage the entry of the DFSN, of Iliescu's people, and of the “old guard,” into all government structures, which is in fact what happened. To my surprise, I heard an interview with Mr. Coposu on Radio Free Europe in which he let it be understood that during the famous negotiations after the elections it was not apparent that, as far as the DFSN was concerned, Iliescu would be placing his people everywhere if the negotiations failed. I found this a curious view. I would like to ask if the opposition's tactic was a good one, if all those things that could plausibly happen were in fact foreseen.

[Manolescu] It was obviously not a good maneuver, and many of us already knew what would follow. Regarding those famous negotiations, I want to say that we lost them “when we had the upper hand,” and I believe we lost the September elections the same way. The negotiations started rather well and were promising, but the problem was to assure a balanced leadership in Parliament, a fair distribution of leadership functions in Parliament, based on the outcome of the election. In the second place, the negotiations were expected to balance the relationship between the present government and the opposition in various organizations, various institutions such as SRI [Romanian Intelligence Service] or RTV [Romanian Television], which are now controlled exclusively by the presidency, and therefore by the government. In this way, DFSN would have had the government and the presidency, the opposition one of the Parliament Chambers, a certain number of vice-presidents and commissions, as well as the possibility of having neutral people in the SRI and RTV, who are not subordinated to one of the two sides. This was the purpose of the negotiations; DFSN seemed willing to accept for instance, that one Chamber president be from the opposition and another from DFSN, which in fact was consistent with the election results. I must acknowledge however, that to my surprise, some of the opposition parties tried to obtain both Chamber presidencies, which was contrary to principle of fairness in distributing seats. Actually, the intention behind the request to

obtain both presidencies was really to sink the negotiations. I regret to have to say this, but not all who participated in the negotiations at that time wanted them to succeed. To say at this point that it was not possible to foresee what would happen seems somewhat naive; it was very clear, and we even discussed it.

Of course, we could not accept a government of national unity, as Iliescu was saying at the time, for the good reason that under the present political conditions it is unrealistic to imagine that the wagon could be moved by harnessing both horses, the DFSN and the opposition, together; it was clear that one would pull one way, and one the other. But what is certain, is that we could have obtained a better balance in general, and a more effective control of our institutions. Do not ask me now why that did not happen, because I supported open negotiations and played to win, not to lose. But there were also players who wanted to lose.

[Cornea] Fine, but things being what they are, many are asking why the opposition does not react more strongly in some situations that even seem to verge on illegality. One example was the well-known parliamentary delegation to the Council of Europe. It is not the Adrian Paunescu matter as such that I would classify as illegal—because after all, the PSM [Socialist Labor Party] could have designated anyone—but rather the manner in which, using a strange arithmetic, the DFSN initially obtained four seats, one of which it gave to Furo, the Convention got one seat, the DFSN got another seat, and so on. I did not understand this arithmetic and at the time asked myself why the Convention did not simply walk out of Parliament and quit the delegation. Perhaps the DFSN would have given up if it had been placed in such a situation.

[Manolescu] I will tell you what happened. Representation in the delegation to the Council of Europe was not by parliamentary groups, but by parties; I do not know the reason, but it probably had to do with party business. Hence the curious arithmetic. Actually, the DFSN found itself in the situation of having to choose between a delegation that would be, shall we say, appropriate for the purpose of attending Council of Europe meetings—a delegation that would increase our chances at being granted membership—and the maintenance of a very problematic majority in Parliament. If the DFSN had chosen Europe, it would have risked a break with the PRM and the PSM, which in fact would have cancelled its majority; because if the PRM and the PSM did not vote together with the DFSN, the DFSN vote would drop below 50 percent—even if they had the support of the PUNR [Romanian National Unity Party]. This being so, it did not want to surrender a majority that for better or for worse does exist, for a probable acceptance into the Council of Europe.

So this was a politically calculated move. We of course asked why, given that this is a question of national interest, reaching a consensus is not put above party interests? Both in the Senate and in the Chamber, the

opposition proposed a national consensus; this consensus was rejected in what in my opinion is an unexplainable manner, showing that political opportunism of the sort that is interested only in maintaining a governing majority is more important to the DFSN and its allies than is the national interest. It was a true parliamentary battle, in which it cannot be said that the opposition remained idle. The abandonment of the delegation by opposition representatives was not considered the best political gesture. We analyzed it, and finally agreed that we had to go, and here is why: Under no circumstances must the present government be given the opportunity to say that the opposition sabotaged entry into the Council of Europe by withdrawing from the delegation.

[Cornea] And if it is possible to speculate, what will be the opposition's strategy in such debates? All other things being equal, the DFSN and its allies have a voting machine that for the time being still works. There are rumors that in secret votes, even opposition representatives vote with the government in some cases.

[Manolescu] The Vacaroiu government for instance, was elected with a majority that, according to parliamentary calculations, is greater than the DFSN and its allies should have had by themselves. On the other hand, the opposition won the battle with the majority in the vote for the Supreme Magistrature Council. The difference was about 30 votes in favor of the opposition in both chambers put together. This means that about 60 representatives of the government group voted with the opposition in this case. So far, we have not had to enter in a real battle for a significant law.

#### The Present Government Has Not Yet Drafted Any Laws

[Cornea] It seems that the four-year governing program is now under way.

[Manolescu] Yes, Vacaroiu has promised it for a long time; but out of the package of 50 laws sent to Parliament after Dorneanu's statements, 47 came from the Roman and Stolojan governments, and I think that three were old, slightly modified drafts; none of them was new.

[Cornea] It is very important to point this out, because the government claims that it has done an enormous number of things in a very short time.

[Manolescu] Roman has shown me the full list of draft laws with the dates on which they were sent to Parliament by his government. It is clear that this is a sham, because the present government has so far not drafted any laws; not until now, as we speak. It is possible that tomorrow morning I will find out that one or two draft law nevertheless exist.

[Cornea] Is there a possibility for cracks to appear in the government's majority, among allies, and even within parties? It is said that a more moderate and a more radical wing exist within DFSN. I think that one of the

opposition's mistakes in past years was to treat the FSN as a homogeneous bloc, speaking of the government with a capital letter, whereas reality showed the existence of diverging trends. And now, the FSN is part of the opposition. So what forecasts can be made?

[Manolescu] I think that differences will arise when draft laws are debated. The PUNR will no longer go along with DFSN in all cases, which is already evident in some of the positions adopted in the Senate, at least. The upcoming draft laws will divide Parliament along criteria different from those that have held until now—majority, opposition, much more varied criteria—and we will have very different configurations from law to law. Some laws will be passed because PUNR or even DFSN people will side with us, for instance, and some laws will be defeated because some of the opposition will move over to the other side. Some of the drafts, such as the abortion law, will divide Parliament along totally unexpected lines.

#### The Two Wings of the DFSN

We no longer make the mistake of treating DFSN as a bloc, because it is clearly not one. We sensed the existence of the two wings even during the negotiations; I do not want to name any names right now, but I know very well who belongs to one and who belongs to the other. From some quite serious sources, I can tell you that Iliescu increasingly tends to support the moderate wing of DFSN against the radical one. You see, what is happening now is what happened at the FSN split: a conservative wing broke off. And the same people who caused the split at that time, are now acting to split once more from their more moderate colleagues in DFSN; except that if they do it this time, they will not have Iliescu as a leader. Because I do not believe that Iliescu—with four years of presidency ahead of him, with nearly all government institutions reasonably well controlled, and with a satisfactory Parliament—has any interest right now in going along with people who can only damage him as president, and damage the institution he represents. It is very probable that he will attempt to change some of the bad image he gained from the alliances he made. There are signs that some of his companions will be sacrificed at some time.

[Cornea] I think that the simplest line he should draw is from the extremist parties. That would be a very simple thing. In the meantime, Iliescu gave an interview to EUROPA.

[Manolescu] As a gesture to his minister of foreign affairs, Melescanu. Yes, Iliescu and Melescanu do look good, arm in arm, in Ilie Neacsu's paper!

[Cornea] We complain, and for good reason, about RTV especially since the appointment of Paul Everac. Still, very often, when a representative of the opposition appears on the screen—as on 2 February 1993 when Ulm Spineanu debated DFSN representative Ion Solcanu—the results are unsatisfactory for the opposition. The conversation covered the politicization of central and

local administration structures, down to the lower levels. Spineanu was pathetic; he was unable to provide any clear, concrete data, or lists, even though the newspapers have been publishing a great deal of this information. Solcanu did not have to be very astute to refute his accusations.

[Manolescu] Spineanu should have gone to war fully armed. Actually, the same thing happens now that happened with the lists of candidates for Parliament. The demands of certain party elements are met, instead of promoting people who have the ability to deal with tough situations. I am sorry to say it, but very many of our people (and right now I am not referring exclusively to one party or another) are not up to the duties they have acquired in Parliament. To say nothing about the fact that when you engage in a televised debate on such a special problem, you do not send an economist like Spineanu; you send someone who has experience in administrative matters, who at least has some idea what it involves; you send a mayor of a place to which a prefect has just been named. You send Oancea from Timisoara to tell what is happening with Pascu, the former *Securitate* colonel, who was appointed Timis prefect. It is obvious that the wrong representative was sent, and that this is an error which has some very serious consequences.

[Cornea] Mr. Manolescu, do you meet with your voters in Sibiu County?

[Manolescu] I was in Medias just last week, where I spoke with the local intellectuals about cultural issues. It is true that the prefect, the mayor, and the vice-mayor of Sibiu, as well as many notables came to see me, and in this way the people could see me, find out how I think, what I am like, to take heart, to seek me out when they have problems. Not to mention that we, the representatives and senators from Sibiu, meet periodically and agree to support those measures we believe are worthy of support in Parliament. You should know that 90 percent (or even more of the problems people bring) have no political color. As a result, we can agree without any difficulty on who will work on one problem and who will work on another. To support the cause of water resources in Medias, to support pollution prevention at Copsa Mica, to rebuild Mirsa—one of the county's major problems—does not mean that we follow the policy of one party or another; it means that we follow the policy of general interest and of all citizens in the area. Unfortunately, we are members of Parliament, not government agents, and all we can do is bring concrete problems to the government's attention; and in particular to try to make progress on the matter of laws, because right now we are stuck. We can solve concrete problems only through direct intervention, and sometimes people do not realize that.

Parliament's poor image comes in part from the confusion people make: Many believe that Parliament has other functions than the ones it has in reality. It is also true in general: Mayors are blamed for things for which

they are not responsible, members of Parliament for things that are not the Parliament's responsibility, and so on. Still, let God help us do what we, the Parliament, are responsible for.

[Cornea] I am thinking that very few citizens know who their representative is, where to go, what his telephone number is, where he can be found. These things, which in the West are customary and quite normal, appear to be alien here. I think that we need some civic education in these matters.

[Manolescu] Yes, undoubtedly, and I hope that the Senate offices that are being opened in all prefectures (in Sibiu more rapidly than elsewhere) will help people find a direct path to the person who represents them in Parliament. But that person must also be able to solve problems, something that is easier said than done. It is hard to imagine just how great are our problems and how badly we need solutions.

#### Iliecu 'Taken In' by Hungarians, Jews

93BA0617A Bucharest EUROPA in Romanian 8-15 Feb 93 pp 1, 5

[Unattributed article: "The President's Isolation"]

[Text] I belong to the ranks of those journalists who are not impressed by the power of certain dignitaries, either elected by the people or named by powerful organizations, by the smile or frown of certain political leaders, or by the behind-the-scenes games that have been increasingly played out in recent times. All of my efforts, which have been so transparent as to border on naivete, are made in service to the Romanian nation, and any political doctrine but decent nationalism seems weak and nonsensical to me.

I feel that the desperate chase after profits is the work of certain people who in everyday life can do nothing better and who are dedicated to carrying out stupid and, many times, damaging activities. The obvious purpose of today's politicians is to demonstrate their weaknesses and lack of ability to a disillusioned people. From every corner of the political chessboard there grows a demagoguery that, for its part, generates corruption and anarchy. Without exception, the leaders of the political parties are declaring themselves protectors of nationalistic ideas, but their actions demonstrate the contrary.

The Democratic Convention garnered 1.3 million votes from ethnic Hungarians, wants the return of a foreign monarchy to Romania, and declares itself a coalition that is defending the interests of the Romanian people. If the paradox stemming from the difference between words and deeds did not have a comic spin, I would believe that the ideologies of the parties in the Convention are endless reruns under the heading of political propaganda. In other words, the PNT-cd [the National Peasant Christian Democratic Party], the PAC [Civic Alliance Party], and the other groups in the Convention,

are allied to the UDMR [Democratic Union of Hungarians in Romania]—Budapest's famous Trojan horse—against the Romanian electorate in Transylvania and everywhere else, wants to bring back to Cotroceni Michael of Hohenzollern—a person who, in addition to the fact that he is a dullard and a stammerer, belongs to an ethnic group totally different from the Wallachians—and, best of all, declares itself a patriotic coalition. I believe the senility of certain Convention political leaders is sufficiently advanced and they should get out of the ring so that younger people from these groups can assume the responsibilities and decisions regarding the country's future.

The political groups that belong to the national faction, with the exception of the Romania Mare Party [PRM] and a certain percentage of the Romanian National Unity Party [PUNR], have other allies within the ranks of the ethnic Jews, and these representatives hold important posts in all segments and levels of political, economic, and cultural affairs. The events of December 1989 found the meek, humble, and gentle representatives of Judaism in Romania on the launching pad that leads towards the high decisionmaking positions in the Romanian state. This is just as it was during the period of the rise of communism in our country immediately after the WWII when Romania was headed by Ana Pauker, Kisinevski, Teohari Georgescu, Nikolski, Brucan, Moses Rosen, Walter Roman, Leonte Rautu, Iosif Ranghet, and many others.

But political parties are not the only ones that are "sought out" by some of the representatives of the ethnic Jews and Hungarians. The presidency, the government, the diplomatic corps, television and radio, the print media, cultural organizations, and the educational system are institutions that have most attracted Jewish and Hungarian tenants. I want merely to remind my readers of just a few examples. On 22 December 1989, the following were and still are among the "instigators" who declared hostilities against the Romanian Army, the legal organs of the Romanian state, and Romanian employees in the militia and the Securitate: Laszlo Tokes, Silviu Brucan, Petre Roman, Mihai Florescu, Teodor Brates, Victor Ionescu, Ioan Grigorescu, Bujor Sion, Toma George Maiorescu, Aurel Dragos Munteanu, and many other anti-Romanians. Petre Roman became prime minister, even though—in his luxury-filled life at the court of Walter Newlander Roman—he had never so much as headed a team of three workers, and Silviu Brucan occupied the CPUN [Provisional National Unity Council] Foreign Affairs Commission, naming Jewish diplomats to the United Nations, Bonn, and London. National radio was headed by Eugen Preda, alias Ellie Gloter. National television was headed for a period of time by Aurel Dragos Munteanu, after which he departed for the United Nations as an ambassador, and in his place two vigorous defenders of Judaism were named: Razvan Theodorescu and Emanuel Valeriu. Numerous Jews and Hungarians have found their cozy places around the president at Cotroceni. And today, the

political advisor to the president, in other words the number one person among his advisors, is of Hungarian origins: Iosif Boda. I have nothing against Mr. Boda—who is a level-headed individual—being a close friend of the president but with the fact that the minority to which he belongs as an ethnic Hungarian voted as a group, if not unanimously, against Mr. Ion Iliescu. We must give serious thought to those who recommended him for such a position.

This is not the first nor the last time that Mr. Ion Iliescu named persons from the ranks of the ethnic minorities to important positions, defying the nearly 22,000,000 Romanians who overwhelmingly voted for him. Should we interpret this as an expression of gratitude?

But, things do not stop here. In order to improve his own imagine abroad, the president is playing the Jewish card, attacking us, we who are doing nothing but drawing attention to some of the deeds of various followers of Judaism. Each time he asked to Rabbi Rosen, the president declares that he is against antisemitism and extremism. What antisemitism and extremism, Mr. President?

How much longer will you be taken in by certain flunkies who stand close to you and are causing you to also lose your last unbiased friends? Can you perhaps no longer realize, Mr. President, that certain groups are pushing you toward isolation and away from Romanian realities? That you are surrounded by many people who do not wish you well, under any circumstances, as demonstrated by the fact that you have never had the courage to be critical of the spectacular release from prison of the traitor Mircea Raceanu—whose ethnic background you well know—immediately after the fall of Ceausescu. Nor have you been critical of the corruption generated by a government dominated by the representatives of the synagogue. To say nothing of the fact that after the incidents in March 1990, at Tirgu Mures you quickly went to the hospital where Andras Suto was located, not caring that at the same moment a Romanian, Mihaila Cofar, was between life and death because of the "kindness" demonstrated by the coreligionists of the above-mentioned writer and your political advisor.

Mr. President, you are fooling yourself utterly if you believe that you will turn Hungarians and Jews into your friends. The outcome of such an attempt will be something else entirely: You will also lose the support of Romanians who have placed their hopes in you. Because of your current policies, I am afraid that your popularity among Romanians is rapidly approaching that enjoyed today by people such as Dan Lazarescu, Moses Rosen, Dinu Patriciu, Petre Roman, Constantin Ticu Dumitrescu, Cornelius Coposu, Doina Cornea, Nicolae Manolescu, and so forth. I repeat: I am afraid for you, Mr. President.

**\* Liberal Strength, Future Prospects Gauged**

93BA0620A Bucharest "22" in Romanian 11-17 Feb 93  
pp 11-13

[Interview with Dinu Patriciu and Horia Rusu of the National Liberal Party-Young Wing by Andreea Pora and Horia Popescu; place and date not given: "We Are Born Liberals"]

[Text] ["22"] Shall we begin with a brief description of the theory of liberalism?

[Patriciu] Liberalism is the political expression of the belief in free speech, free enterprise and the right to personal property. Liberal doctrine places the individual in the center of political concerns. In the liberal vision, the individual is considered a unique entity, who cannot be replicated, and who knows how to seek his own fulfillment. The right to property, as an extension of the individual personality, predates human law and is an inalienable right of the individual. The legitimacy of political power, of the state, has as its source the fact that the individual has ceded to the established power his right to punish infringements of his own natural rights. This cession is limited and the role of the state is confined to that of the defender of the individual's life and property. This doctrine has evolved and very often over the last two decades the term "neo" has been added to it. "Neo-liberal" has appeared at least three times in this century, each time with a different meaning. Neoliberalism is Gorbachev's *perestroika* and also the doctrine of the young American democratic politicians of the 1970's. In a society in transition, however, liberalism is different than liberalism in a stable society, but I do not believe it requires the prefix "neo." In Romania, we can see that the yearning for property did not disappear. The Romanian peasant, for example, returned very quickly to the concept. The proof? Conservatism voted for Iliescu. In advanced societies, rural conservatives tend to give their votes to the political right. It was the reverse in our case: Iliescu was seen as the one who had given them land. And not only that. The peasant's standard of living rose extremely rapidly because property was returned to him, property that was his livelihood (even if it was pseudo-property, it brought income). The Romanian peasant clearly is aware of the change. Proof of this is that there is a tremendous boom in rural construction.

["22"] Then how do you explain the fact that this same Romanian peasant is just as quickly joining associations?

[Patriciu] For the most part, he is joining out of pragmatism. The peasant knows that he will generate most of his income from his own holdings but for the present, the land outside the village can be exploited more efficiently in common because he has no equipment. The peasant was given land, but not the agricultural equipment he needs to work it. This is a temporary situation. The peasant understands this very well; the associations will

not be long-lived. Reruralization is one of our fundamental concepts. For a quarter of a century, our country was industrialized at an extremely rapid pace, not for economic reasons but for political ones—an urban population is easier to control than a rural one. As a result of this industrialization program, 63 percent of the urban population is first-generation city-dwellers. Were their rural roots destroyed? I do not think so. In 1938, urban population was 38 percent; today it is over 55 percent. They populate the ghettos and the dormitory-apartment blocks. Is the urban dweller psychologically tied to this type of living? My opinion is that he is not. It would be very easy for that person to return to the countryside, but we have to fulfill at least three conditions:

(1) We must ensure that in the rural areas, he can exercise the professional skills he has developed in the city. This can be realized through adequate financing, through long-term credits to small businesses and through the sale of stocks on credit, in other words through a coherent program to stimulate the energies of the individual.

(2) Property must be restored completely. Some have argued that full restitution would break up large agricultural holdings that, in turn, would lead to reduced productivity. This is not true. In 1938, 94.5 percent of agricultural land was in holdings of under 10 hectares, yet in Romania the average yield of wheat was 2,300 kilograms per hectare and  $\frac{2}{3}$  of the production was exported.

(3) We must provide decent living conditions; we cannot expect someone to return to a well having had the lukewarm water of the city. This can be achieved on the basis of a national program to import modern technologies for constructing individual homes. Funding could come from the stagnant monies that are now just depreciating (e.g. pension funds, social assistance funds and unemployment funds.) Hundreds of billions of lei are being devaluated daily. Instead these funds should be put to work in construction as capital for mortgages.

With these three conditions fulfilled, we can transfer the population from the industrialized cities where we have these Romanian industrial monstrosities that will have to be dismantled. However, if we dismantle them without other compensating measures, we will have unemployment and severe social pressures. The return to the countryside, for good reasons and on a voluntary basis, can bring us to that balance of small and medium industries throughout the country that is the hallmark of advanced societies. In Germany, the average number of employees per firm is 25 whereas in Romania it is over 100. And this is because the Mercedes is not built solely in factories in Stuttgart, but piece by piece in small private enterprises in who knows which villages far from Bavaria.

["22"] Can you tell us how you became liberals after the events in December 1989?

[Patriciu] I have a liberal profession—I am an architect. I became a liberal at the age of 17, after I read Marx's *Das Capital*. I began to read Lenin, too, and then I searched around for something to give me good arguments to use against that which we all were being taught. After 22 December, I sought the nucleus around which we could form the Liberal Party. I was among the first 10 people who founded the National Liberal Party in January 1990. That was because I sought them out. And I sought them out because I had already developed liberal convictions.

As I went through the effort to develop my political culture, I became convinced that liberalism represented my ideas, even if in the 1970's in Western Europe liberalism as a political force appeared to belong to the past. Capitalism had been replaced in the 1960's and 1970's with Keynesian philosophy. Slowly I discovered that liberalism could be the socio-economic form most adequate for a post-industrial society. And one did not necessarily have to travel the same path as the advanced industrialized countries to arrive at the post-industrial society. One can theoretically construct and achieve a qualitative leap forward.

[Rusu] I believe that I was born a liberal. In fact, I believe that each one of us is born a liberal but because of the influence over time of an erroneous education, we arrive at collectivist ways of thinking. Of course, I became aware of this fact only after long searching. I have a technical profession; I am an engineer. I was not able to develop myself as I wanted to. Access to foreign technical literature was limited. I began to develop humanist leanings. I do not think that I am an exception in my generation, quite the contrary. And I believe that this generation, which is now 35-45 years old, can pull this country out of the rut in which it finds itself. Of course, I owe much to the pro-individual education that I received from my parents. They never tried to steer me in a particular direction; instead they said to me, "find out for yourself!" And so, I became a liberal.

[“22”] Were you a member of the ASC [expansion unknown] or the RCP [Romanian Communist Party]?

[Rusu] I was not a RCP member because I was in a privileged situation. I did not have to pursue the things that party members had to. We had a home that we had inherited from my grandparents. My parents had a car; I was able to spend all my salary buying books and taking trips. I was not driven by any particular ambition, I was not married (so I did not have to climb up the ladder in order to make more money, and to climb up the ladder clearly you had to be a party member). So that is why I say that I had a privileged position and, to some extent, I did not fall victim to collectivist indoctrination.

[Patriciu] I do not believe, however, that party training could indoctrinate an intelligence person. I would like to tell you about an absolutely parallel destiny except that I was a party member. I joined the party in 1969, during a period of openness, even though I had a very poor dossier.

My father, a university professor, said "No!" his entire life, "No!" to joining the academy, "No!" to joining the party, "No!" to teaching what they demanded. Consequently he was thrown out of education in 1958. But he convinced me to enter the RCP with the idea that the system could not be changed from the outside. After that I learned very quickly that protection against a hostile medium could only be assured through a system of self-protection composed of culture and your own profession.

[Rusu] Today it is very easy to declare yourself one with liberals, or with social democrats, or with christian democrats, without really being so. Certainly there was pressure put on me to join the RCP. I was in research. Ninety-five percent of former party members had no idea what Marxist doctrine meant. I knew, probably out of curiosity. Unfortunately this is still a problem today, relative to all political doctrines.

[“22”] How is it that you so quickly came to positions of leadership in your party?

[Patriciu] In the first days of January, a number of old liberals met in the home of Dan Lazarescu, trying to recreate the party. Dan Lazarescu telephoned Radu Campeanu in Paris. So on 5 January, many more old liberals met in rooms provided by the Armenian Community association. In a heady atmosphere on the morning of 5 January, many old and very old men but with the enthusiasm of youth, recreated the National Liberal Party in those meeting rooms. I remember Mr. Vilsanescu, sitting in a chair, shouting, "Long Live the King!" Others embraced one another after decades of separation. They began to draw up the list of the 251, which was the number necessary to register a party. I believe the first name on the list was Dan Lazarescu and the second was Radu Campeanu. Each of us present took our turn in signing the list of founding members. We younger people, who had just met each other there, immediately tried to achieve something concrete. On the basis of some ideas written down on a piece of paper by Messrs. Lazarescu, I. V. Sandulescu and Sorin Botez, we developed a program of the National Liberal Party. We took this program, which filled two pages, over to the Institute of Architecture where there is a teaching facility, and we made thousands of copies of it. The copies began to circulate along with the written notes. At that time, we had a place on Magheru Blvd. It was assigned to us and we moved in. I went there together with several young people and several who were older. We cleaned out the first floor, moved in, and right afterwards we received our allotments. We began to work in party organization and in constituting this initiative committee. We were getting along well with the older members of the party and we joined the machinery of their organization. And clearly, the most active of our lot began to be integrated into the leadership structure. After that, there were organizational efforts across the country. It was a period I will always remember with great fondness.

**The Front Never Was United**

[“22”] However, you supported Mr. Campeanu. What caused the split?

[Patriciu] The first time that I began to have doubts about Mr. Campeanu was on 28 January [year not given] when he sent us to negotiate with the government. At five o'clock in the afternoon, he announced that the liberals had withdrawn from the square, but we were inside the palace at Piata Victoriei. That was the first moment of doubt, and it was confirmed the next day when we were in a meeting at the party headquarters. I was still there along with Mr. Campeanu and several young people. Anyway, the mob had been unleashed and it surrounded our building. They demanded that we come out on the balcony. We went out on the balcony and I spoke to the crowd over the microphone, but when I looked around for Mr. Campeanu, I discovered that he had fled through a window. We left the building in an armored car. It was then that I made the psychological break with that man. As party leader, he had no right to act that way. And then I remember March 8 when Radu Campeanu signed the compromise with Mr. Iliescu on the election law. That compromise removed Point 8 from Timisoara, which was in Article 10 of the election law, banning participation in the elections by those who had come from abroad. There were other moments that are not common knowledge, because from a sense of fairplay we, ourselves, did not want to make them public. But the final break came on 13-15 June when Mr. Campeanu was out of view and, once again, the PNL was paralyzed even though we should have been extremely active at that time. Following that was a period of two or three weeks when he sat by the telephone waiting for a call that he thought would inform him that he had been named prime minister. However, even before the elections we told him that there would be a split in the party after the elections.

[“22”] Nonetheless, not long after that split, even the PNL-AT began to flirt with the government.

[Patriciu] No, you are wrong there. The Charter for Reform was poorly understood by democratic public opinion. At that time, many did not yet understand the fact that the FSN [National Salvation Front] was already split and that the Charter for Reform was nothing more than an instrument through which this rupture would be formalized, so it was not just de facto. In Romania, after 20 May 1990, it quietly became clear that during the communist period, there were two forces within the FSN—the conservatives and the reformers. Law No. 15, one of the first voted by Parliament, was the fundamental law of reform. It was impossible for such a law to come from a neocommunist party. It was drafted by the reform wing of the Front and even today reform is based upon it. According to my sources, it was drafted by Messrs. Victor Babiuc and Adrian Severin. If the Vacaroiu government cannot change the tune, it is because of Law No. 15.

[“22”] So you are telling us that when you associated yourself with the Roman wing, you had a premonition?

[Patriciu] It was not a premonition, it was simply understanding a phenomenon. Working with these people in Parliament, we began to realize that the split within the Front was utterly genuine and that it would not take much to bring this all out in the open. Public opinion, in a hangover from the inertia of totalitarianism, viewed the Front as being totally unified. It never was. So it had to assume the impulse toward democratic forces, because Romanian politics was becoming clear to the man in the street. This was the basis for the Charter for Reform. And its effects were obvious immediately. But then I made a mistake. In July, after the vote for privatization, a new government could have passed Parliament without the slightest problem. I told Petre Roman that to form a new government just before the parliamentary recess might appear to be a frivolous gesture and that it would be better to do it in September. But in September, the miners came. I dare say that they came specifically because the government would have taken on a different face in September. They came before the voting for a new government and before liberalization of the exchange rate.

[Rusu] In fact, we were the two members of the directorate committee who voted against joining the Charter. This was not because we were opposed on principle, but because we were afraid that this would be interpreted incorrectly, and as it turned out it was. It is very true that we have suffered dearly because our gesture was misinterpreted. Dinu Patriciu has borne the brunt of this criticism. But it was an internal party matter.

**The Restoration Began in September 1991**

[“22”] Nonetheless it was proposed that you be a part of the new government. Were you affected by the fact that Parliament did not accept you?

[Patriciu] There were two different moments here. The proposal to join the government was made in May and signing the Charter was in July. Then, on that day, there was a misunderstanding among the few who were to take part in the government. Had they entered the government then, I believe that it would have been a good thing. Because it was the same moment that defined the rupture in the Front. The fact that the Front's conservative majority would not accept the presence of a liberal, deepened the FSN split. I was not affected at all. As Horia has already said, I voted against my own designation as the Liberal representative in the Roman government. But I supported the decision of the directing committee because I understood the political justification of this gesture.

[“22”] Were you in agreement with Radu Boroianu's joining the government?

[Patriciu] I agreed with it at that time because it was a preliminary indication of our move to join the government. The result was that there were to be two ministers

in the government that was to form in September. In any case, that moment, September 1991, when the conservatives realized the danger posed by the rightward leaning of the reshuffled government, is the critical juncture in the political history of the past three years. Often it is not given its due. The restoration began at that time, for it was then that the conservatives began constructing a party. From that point on, it was thought of as the FDSN [Democratic National Salvation Front]. The PNL made a major error by entering a stagnant government. We took a step backwards; they moved ahead rapidly.

[Rusu] In other words, the restoration began with the last miners' action.

[“22”] What is your electoral base?

[Patriciu] I believe it is premature for us to define the electoral segments of Romania today. Right now the label of “liberal” is all-encompassing, because today there are fundamental differences between today's liberal parties. We define ourselves as a party of the right (even if it is pointless to talk of right and left in the contemporary world). We put the accent on reform through private ownership, social protection through private ownership and invigorating the economy through private ownership. The PNL has evolved toward a center-left orientation. This explains why, although we had signed the Charter for Reform and Democracy and it would have been absolutely normal to join the Stolojan government, we did not; the PNL did. And this was not because the PNL had placed any preconditions. Conceptually, the PNL-CD [National Liberal Party-Democratic Convention] has moved very close to us. The PNL-CD is the Vintila Bratianu wing, created around the man. Of course, there are still traces of the old Socialist Liberal Party, which has declared itself to be center-left.

I do not believe that the PNL has a political future. It probably will have to enter the liberal mainstream, adopting the doctrinal orientation that we have if it wants to contribute to the coalescing of an authentic liberal force. But I do not know if it can under Mr. Campeanu's leadership. As far as the other liberal parties are concerned, they do not have the slightest significance in the Romanian political spectrum and they have not been able to define themselves. I am referring here to the NPL [New Liberal Party] as well. As a political formation, it does not exist—it has no doctrine and no distinct personality. It is only a network of economic interests.

[“22”] If you had not been candidates on the common lists, would the PNL-AT [National Liberal Party-Young Wing] have earned enough votes alone to enter Parliament?

[Rusu] We think we would have. I believe we would have received the required 5 percent. We obtained 200,000 votes in the local elections; we had candidates on lists put before a third of the country's voters. We garnered an average of 6.7 percent in urban areas and 7.1 percent in rural areas. I believe that there is a liberal electorate that voted for other parties—the FSN electorate who voted

with Caius Dragomir for example (which earned 4 percent of the vote), 5 percent of the Hungarian voters who voted for the UDMR [Democratic Union of Hungarians in Romania], and a part of the PAC [Civic Alliance Party] electorate. I believe that we represent about 20 percent of the votes. I am referring here to the September 1992 elections. With a good campaign, we would have drawn at least a quarter of this vote.

[“22”] What were the reasons behind the split of the NPL from the PNL-AT?

[Rusu] It was not a split; they were excluded from the party because they did not know how to honor a statute voted at the congress and they did not understand that internally a party should function as a democratic system. They were a group that ignored the recommendations of the Brasov congress and wanted to unite with the PNL, then in its full opportunistic flower.

[“22”] Is exclusion a liberal method?

[Patriciu] The party leadership cannot exclude someone, however there is an arbitration court that can. Now, when it comes to leading party personalities, only the national council can take that decision. In any case, these procedures were implemented and no one was barred from speaking. However, after hearing the recommendation of the arbitration court, the national council voted overwhelmingly for exclusion.

[Rusu] Furthermore, the national council proceedings were open to the public and the press was there.

#### A Lack of Professionalism Was Behind the Convention's Disaster

[“22”] What was the PNL-AT role in the electoral campaign?

[Patriciu] We proposed an electoral campaign plan and budget; however, neither was accepted by the Convention's executive committee. We were much more involved in the electoral campaign than any other political group. First of all in logistics. Secondly, not only because we turned over to the Convention all of our contributions in proportion to our presence on the electoral lists, but also because we printed, edited, and distributed a huge number of handbills (more than 200,000) produced at our expense in all areas where we participated and for all candidates. This work is reflected in the percentages as well. I would not want to get into the same argument as the PAC and the PNT-CD have found themselves.

[“22”] How many members does the PNL-AT have?

[Patriciu] I can tell you exactly because we gathered these statistics in preparation for the congress. We have 15,200 dues-paying members. I think that this number is already too large. But we still have people who feel that a party's power is proportional to the number of members it has.

[“22”] If you had run separately, how do you believe your campaign would have been structured?

[Patriciu] The Convention campaign—and I said this at the time—was very inefficient: the meetings were absolutely inefficient; campaign publicity based on the printed advertisements was absolutely inefficient; and they totally ignored audio-visual presentations. The quality of the campaign on television and radio was just pitiful and I believe this was one of the reasons why it failed. The message was inadequate. We presented a study to the Convention done by IRSOP [Romanian Public Opinion Polls Institute] at our behest in July 1992. It pointed out that the principal voter concerns were inflation, unemployment, and the immediate future for their children, each one of these issues being listed by over 20 percent of those polled. You can contrast this with “rebuilding the moral fiber of society”—3 percent—and “the eradication of communism”—6-7 percent. Yet the campaign was based on the latter two issues rather than on the issues of most concern to voters. We made this point at a Convention meeting at the beginning of August and we put forth a concrete proposal based on these findings. Unfortunately, it was ignored. We proposed to the Convention a completely different strategy: to directly respond to the individual, to the citizen, to his specific needs and desires, and not to fall prey to the technical approaches that have ensnared Romanian politics over the past 3 years. To speak about macrostructures, about systems, about transition, about reform and so on, in other words, about things abstract to the common man, I think was the major mistake.

[Rusu] Unfortunately, we joined the Convention very late, when these structures were already set into place and we were not able to get them to change their view.

[Patriciu] I will go a step further. The involuntary author of the Convention’s disaster in the elections—and I consider it a disaster—is the PNT-cd. Because of its structure as an out-of-date party, because it sees itself as a party of the masses, it proved to be a handicap to modernizing the message and means of the Convention. Having said that, I believe that any post-facto dispute on this issue is futile. Nonetheless, we must make a lucid analysis of the causes and I see no reason why this cannot be made public. In the end, this way of proceeding will strengthen the unity of the opposition, which has during this time, proven to be transparent.

[“22”] So then, how do you see continued cooperation within the CDR [Democratic Convention of Romania]?

[Patriciu] In Parliament, and although naturally you can sense the different political orientations of the diverse components of the Convention, they have just now begun to get used to one another. The PAC and the Liberal Alliance have proven to be the most radical elements in the Convention.

[“22”] You speak of the Convention as if it existed merely at the parliamentary level. Yet it is much more than that, as proven by the discussions to receive new members.

[Patriciu] Policy is made in Parliament and it did not receive members. In any case, that part of the Convention that is outside Parliament—the apolitical organizations—should look after their own issues and not try to develop policy. Otherwise they will bring chaos to Romanian political life. The Convention must remain an instrument for coordinating the democratic opposition; it should not become a superparty. Rather, it has the role to create the framework in which the three major currents of political thought in any democracy can define themselves, those currents being social democracy, chrisitan democracy and liberalism.

[Rusu] I believe that Mr. Copusu, too, has already come to the same conclusions as we have discussed here and he is trying to restructure the PNT-cd even as we speak.

[Patriciu] The efforts of the PNT-cd to regenerate itself are truly remarkable.

[“22”] What chances do you see for unifying the liberal movements and what can be the nucleus for coalescence?

[Patriciu] The nucleus is doctrine. Ignore the current PNL and NPL leadership because these people do not interest me. Much more important for the true leadership of the PNL is the “Group for the Moral and Political Reform of the PNL.” Clarification of party doctrine is essential. From the functional point of view, our congress from 19-21 February will be a congress for reconstitution. On the first day we will disband the current structure and we will establish the Liberal Party.

#### **For Us, Liberalism is a Conviction; For Mr. Campeanu It Is a Vehicle**

[“22”] Is this a consequence of the Cerveni-Vintila Bratianu conflict?

[Patriciu] No. The decision was made earlier and was provided for in the protocol. Perhaps this is what is behind the opposition of the Cerveni group. The liberal groupings that are present at the congress will be disestablished and the congress delegates will become founding members of the Liberal Party.

[“22”] About these delegates, we have learned there has been a lot of disagreement. The Cerveni group proposed that they should be elected through votes by the various groups in accordance with a certain number of members. You have proposed a system of counsellors.

[Patriciu] There is some confusion here. Mr. Cerveni’s opposition appeared exactly when it became clear that at this congress, regardless of which selection criteria one used, he, along with the small group that supports him that came from the Socialist Liberal Party, would not have the support even of their own party. However, I consider this gesture an accident and an insignificant

detail. You in the press often exaggerate the significance of some events. For the PNL-AT this represented not the slightest handicap that those who later founded the NPL were excluded. It makes no difference whatsoever if Mr. Cerveni prefers to stay away because isolated positions are natural for him. As far as the participation of local notables is concerned, it is only natural that a congress recognize those men who have the backing of the voters in their respective areas.

[“22”] Nonetheless, The PNL, the NPL and Mr. Cerveni’s “party” create confusion in the minds of the electorate. Can’t you come to some sort of a compromise?

[Patriciu] We can talk with Mr. Campeanu but for me at least, he has been aligned with the government since the Spring of 1990. Where is the common ground? Our understandings of what constitutes liberalism are totally different. For us, it is a conviction, for him it is a vehicle. And what is there to share with the NPL, a pseudo-political group that tries to do nothing except promote the economic interest of a few people. Of course, if you understand politics to be a long-term pursuit, we can talk. No one, I least of all, can block others from approaching us. There need be only the desire.

[“22”] Will the Liberal Party that is formed after this fusion accept the existence of factions within itself?

[Patriciu] The statutes that we have begun to distribute now throughout the country are the statutes of a modern party which permit factions and divergence of opinion, so that we no longer have to exclude people. The initial diversion concerning the creation of parties—this number of 251 members—lead to the discrediting of multi-party politics. And I think this diversion was well-thought out in advance. I think that the new law concerning parties should require that all parties receiving less than 1.5, or 2 or 3 percent of the votes, should be forced to disband or to work together with other parties. The higher this limit is set, the faster Romanian political life will begin to congeal.

[“22”] You spoke of unifying liberal movements, do you see a possible merge with the Civic Alliance Party?

[Patriciu] First of all, I believe that the PAC ought to declare itself liberal, but its leaders have to overcome a psychological barrier. The Liberal Party will not have a president. Doctrinal clarifications must come from the decision of a congress, not from members of the party leadership. From both sides we have seen all the signs for unification. Thus we are trying to produce a statute for the Liberal Party that will permit the presence of factions, even with parallel structures throughout the country. As far as internal party structure is concerned, an observation that you can make regarding democratic political forces everywhere in today's world is that you create structures in a party that are similar to the power structures in a nation. You have an executive branch (which does not have to be made up of the leaders of the respective parties; only among the communists is the

executive composed of party leaders—and that was the tradition resulting from the struggle between the party chairman and the secretary general which was won by Stalin.) Then there is a body similar to the chamber of deputies (the national council), a party senate that is a group of party leaders (who may or may not be part of the executive element—this being unimportant because the executive element is that which assures party administration and its daily life while the leaders have other roles to play), and, of course, a court of arbitration that is similar to a state's justice ministry. The leaders are, in fact, party emissaries who transmit the message gathered together by the party staff. Merging the two functions is only encountered in bolshevik-type parties where you have the “beloved father,” the “great thinker,” and the “great achiever.” We have to disabuse ourselves of this image of a leader. In the parties on the Romanian political scene we have still not brought about this separation of powers, perhaps this is some mimicry of the bolshevik party. Here in Romania, the figure of the president, who is the leader and symbol of the respective parties (through the mass-media, through the eyes of public opinion and sometimes even through the mentality of those who lead the respective parties), is somehow superimposed on the image of the party itself and this is very damaging. I think it is unhealthy for the PNT-cd, for example, as a party to be confused with the image of Mr. Coposu. I am sure that Mr. Coposu himself realizes this and just because of this fact, he often attempts to minimize his own position. And for this reason, he is one of the very few (if not the only) true political figures which Romania has today. The same is true with the FSN, which has superimposed on itself the image of Petre Roman. This phenomenon has created parties too. The FDSN exists as the image of Iliescu. Damaging for the PSM [Socialist Workers Party] is the fact that its image is that of the image of Adrian Paunescu. But since they are our adversaries, we are happy about that. I believe that the PNT-cd will be a party capable of generating leaders in the future. The same is true for the PAC.

[“22”] What will be the position of the future liberal alliance within the CDR framework?

[Patriciu] The same as it is now. We were among those who argued for the necessary existence and renewal of the Convention on the Romanian political scene today. I think there will be an electoral campaign, probably in the not-too-distant future, and the opposition has to win much more than it has. This does not mean automatically that we support the idea of a common list for the Convention. That all depends on the situation at the time of the campaign. If we are able to bring about changes in the electoral options, then probably the Convention should run with two lists: one a Christian-Democrat list and the other a Liberal list. There are certain incompatibilities between liberal voters and Christian-democratic voters. And I think it was a drawback that we had a single list. I argued for this formula prior to the last elections.

11 March 1993

## ROMANIA

**The Powers That Be Cannot Hold On for More Than Another Year**

[“22”] Thus you support the Campeanu variation?

[Patriciu] No. Campeanu never supported any such proposal; he wanted to bolt from the Convention. I argue that in order to attract more voters, the Convention should participate with multiple lists.

[“22”] What will be the Liberal Party strategy? What concrete measures will you propose in the economic and social arenas? Will you in some ways follow the FSN line to create an umbrella government?

[Patriciu] I think it is ironic for the FSN to present an alternative government. I think they have done well; they have defined themselves. I think the Convention would be mistaken to take such a position. Because, as Mr. Coposu once said relating a conversation he had with Iuliu Maniu, an umbrella government is not necessary for a large political formation, because it already has 20 potential candidates and if one of them is named to an umbrella government, the others will have nothing to do.

Regarding the strategy of the future Liberal Party, it will be to say that liberalism is the antithesis of totalitarianism and that this spirit is supported by concrete ideas connected with shock therapy. We believe that there is less suffering in a shorter period of transition, and that reform must be thought of as a point of departure, which means private ownership, to resolve those problems which we declared fundamental at the outset; those of reruralization and fiscal expenditures reduced to the maximum extent possible. From a political and social point of view all of this means a liberal policy.

[Rusu] Even more specific. The social base of any liberal party is the middle class, which right now is forming in Romania. We want to help the development of this middle class. And how? Among other things, by creating an information system spanning the entire country. This is needed because economic information has a value that is difficult to measure in dollars. Who were successful in enriching themselves over the past three years? Those who had a monopoly on economic information, particularly those who worked in foreign trade, the former nomenclatura.

[“22”] But neither can the PNL-AT complain that it is the party of the poor. You yourselves are...

[Patriciu] Of course, but based on other things. Horia said something very important. What differentiates the opposition from the government today? Just that the government is neocommunist? I do not think so. At this moment in time, the government has a dual character. It is aided by two forces: the former administrative bureaucracy of the communist system on the one hand, and on the other, those who separated themselves from the top of that pyramid and created private businesses making use of the system of contacts that they had created previously.

[Rusu] In other words some “war profiteers” who succeeded in adapting themselves very rapidly to the marketplace, and the others, those with nostalgia, who did not succeed and who are stuck in their easychairs.

[“22”] Yes, but the “war profiteers” constitute today's middle class.

[Patriciu] No, that is not true. The middle class is born out of competition.

[“22”] Is it not possible that the FDSN will split and all these entrepreneurs will become liberals?

[Patriciu] It will definitely split. The paradox for the current rulers is that they are supported by a new financial and industrial oligarchy. The Power has created a left-wing government which pursues a policy that goes against the interests of this oligarchy. Thus, in a short time we will witness a split between these two. No one knows if this split will come slowly, in stages, or whether there will be an explosion. But it is certain that the split will come. And probably the financial oligarchy will develop its own political organization.

[Rusu] In fact, we liberals currently have two enemies whom we have to combat. On the one hand are those who want to transform Romania into a monopolistic, capitalistic society and the other hand, those who want a restoration.

[“22”] Yet these two camps who will retain economic power (regardless of how it was gained), won't they be the determining influence in the country's political life?

[Patriciu] It is clear that this is the way it will be. But your scenario must be completed with the fact that the opposition too, that is, the democratic parties, has financial power. The opposition is supported mostly by those in the private sector who have been involved in production rather than trade. Development is more difficult in this arena but the wealth accumulated from trade is, at the present, the most fragile because the Vacaroiu government's policy is undermining it. The Vacaroiu government, consciously or otherwise, is following an inflationary policy which may lead to hyperinflation. Many businessmen have learned that in production you can accumulate stable capital and invest in production or fixed assets. They will be the first who will need the competition that comes from the level economic playing field proposed by the opposition. Thus they will draw closer to the opposition.

[Rusu] That raises another issue—if we should have a “pro-cadre policy” in this arena. Of course not. There is an issue of morality here that is very upsetting: the first gathering of wealth. How they got this wealth is something we all know well. But to the extent that competition upsets this situation, competence will come to the fore.

[“22”] Had they stabilized the leu at the beginning of 1990, the chances would have been different....

[Patriciu] Absolutely!

[“22”] What is your opinion of the CDR at that time?

[Patriciu] It was important (in our view, and that is why we supported the election of Mr. Constantinescu) that there be a person who began, along with his staff of course, to coordinate this activity. In any case, there are two very important aspects: the parliamentary part of the Convention to carry on politics and the apolitical organizations to do whatever it is they each have to do and the Convention president be a bridge between the two. These two elements should not interfere in one another's business or it will lead to chaos. In any event, the Convention's political activity is gradually becoming more efficient.

#### The Limits of Democracy: Domination by the Majority

[Rusu] I believe that a major problem that came up in Parliament was the slowness of those who came from local organizations to rapidly grasp the new realities. It was very difficult for the PNT-cd leadership—who understood very clearly that the FSN of September 1992 is not the FSN of 20 May—to convince a deputy or a senator from Botosani or Vaslui, who said that he had fought the local FSN tooth and nail for the past two years, that now he should cooperate with this party.

[“22”] There has been a lot of criticism in the press (we have advanced that criticism too in this newspaper) that the opposition, by not participating in governing, has left everything to the FDSN. Look what is happening now with Romanian television, with the prefects.... People are very unhappy with Parliament.

[Patriciu] People are unhappy, but this does not necessarily mean they are unhappy with Parliament. The opposition represents 46 percent of the country's voters. Decisions require 51 percent. It is very clear that we do not make the decisions. Our participation in government would have meant chaos and more. The government began making mistakes from this moment on and it began losing the support of the public. The Opposition's role is to exploit this displeasure. Think of the episode that happened just last week in Parliament when, for the first time, the FDSN demonstrated very clearly that it is allied with the extremist parties—the PUNR [Romanian National Unity Party], the PRM [Romania Mare Party], and the PSM. They had to make compromises, more than that in fact, to make offerings. The presence of Adrian Paunescu and the PRM in the delegation to the Council of Europe is proof of this and, at the same time, is a major blunder. Clearly, public opinion is making a connection between these parties.

[“22”] But how is this good for Romania? It appears to us to be more a defeat for the opposition.

[Patriciu] Of course it is a defeat. Yet not only for the opposition, but for the country as a whole. However it was necessary for the public to become aware of what is going on. Even more than that: It makes the very grave

point that the FDSN is farther to the left than the PSM. This is also clear from the positions they take in Parliament. The abstraction is Adrian Paunescu. A meeting of the minds is impossible because we start from different philosophies.

The Romanian political spectrum is composed of two types of parties: those oriented toward the West and toward the individual, and those oriented toward the East and collectivism. I do not think it is possible for the latter to become democratic. For those of the East, communism was just a troika, used for a period to justify that same expansionism which has imperiled our national existence for the past 300 years. Will it be pan-Slavism or something else that is the ideological basis for the Empire?

[“22”] But now they are installing a government for four years; you remain with your philosophy, and we with FDSN prefects.

[Patriciu] No. They are installing a government aware of its own weakness, one that is frightened, and that exaggerates every move it makes. Even this excessive politicization of the entire administration from minister to porter is a political blunder. The current government will not be able to maintain power for any more than another year. Their own gestures not only undermine their own character, but the economic results are disastrous. Their inflationary policies will make it very clear to the public that the country cannot be governed by a leftist government.

[“22”] Isn't there the danger of an authoritarian regime taking power?

[Patriciu] There is such a risk. But even this perception of an opposition that does not impose its point of view is a holdover from totalitarian thinking. We represent only 46 percent of the voters; we cannot impose anything.

[“22”] So history repeats itself; we must then change strategy.

[Patriciu] No. Last time we represented 18 percent of the vote. This is a limit of democracy: majority domination. It is little use that we know we are correct. This correctness we must advance. But our correctness is advanced because the left is taking steps that are leading us to disaster. The more quickly the slide becomes, the more rapidly the citizenry will understand. We, the opposition, propose an alternative. It is incompatible with the majority's populist-demagogic policy.

[“22”] The process you describe is characteristic of democratic countries, with already created democratic institutions. This is not the case with us.

[Patriciu] I am sure that we are at the beginning of a road that will lead us to a rightist government where it is possible that just because someone says something about a political person, that person will not feel forced to withdraw or resign. Clearly the impact of a civil society has been lost over the past 50 years; it does not exist now.

But life forces us to go through this stage that we hope will pass as quickly as possible.

[“22”] There are two parallel processes: the process of forming a democratic political class and the process of defining the options for the electorate. From what you have said, it appears that the process of forming the democratic political class is proceeding very slowly. But isn’t there the risk that this progress, being carried out with Western attention to detail, will lead to a cleavage between the process of constituting a democratic political class and that of defining the options for the electorate?

[Patriciu] Political classes are born through competition. But in this competition, because civil society is being rebuilt at the same time, lies and demagoguery will begin to be rejected. People, many of them anyway, cannot yet climb out of their ruts. That is why we still hear these bankrupt slogans—for consensus, or for the unity of political forces against the foreign enemy, or for other such myths. I get letters that reveal a total misunderstanding of democracy. For their authors, there is only one path, one idea, one guiding beacon, one supreme commander, and so on. These mindsets still govern the thinking of a part of the Romanian electorate.

#### **Government Seen Moving Toward ‘Muscovite Boot’**

*93BA0614A Bucharest “22” in Romanian 11-17 Feb 93 p 5*

[Article by Ilie Serbanescu: “Is All This in Our National Interest?”]

[Text] Only three years after what has been called the Romanian revolution—and for those who took to the streets to win their dignity and freedom it was a revolution—the communist restoration is nearly complete. Whether we like it or not, we have to recognize that the speed and scope of the restoration are remarkable. The structures that seemed to be seriously shattered have been solidly rebuilt. Those who had appeared at one point to be on the defensive have now completely recovered and are on the offensive on all fronts. The government belongs exactly and fully to those who held power prior to December 1989. Only the actors on the surface are different. In the past, they were the leading representatives of the only existing party. Now, during the reformation, they have been removed or sent to mend their ways. And, they patiently keep quiet because they never really had any power. Currently, the actors are more numerous and the stage is larger: more political parties, even some opposition parties, street demonstrations, a free press and a scandalous press, businesses, and private enterprise. The desires of the government are greater as well. It has come out of the monotony and austerity of the past. Entertainment, in order to be enjoyed, no longer has to be absolutely established in a centralized fashion now that it has been liberalized, and opulence no longer has to be punished so as not to violate

the norms of socialist ethics and equality, but rather can march right along with it. These are important structures and perquisites of those in power, in whose case there was no need for a recovery because, not for one moment, were these ever lost by those who formerly held power. Primarily, this is the case of the ineligible institutions of the country: the army, the intelligence services, the law enforcement community, the court system, the state prosecutors, the television community, and so forth.

Where it was necessary to make a recovery, however, it was done methodically, systematically, and with maximum efficiency. The last broad attack was made after the September elections when the relative success of the leftist forces was made complete by the opposition itself, which, instead of participating in the government and holding a knife to the government’s throat, insisted that the victors take everything. The winners did not hesitate, filling the government cabinet posts with former members of the CSP [State Planning Commission], and the prefectures and second and third echelons of the central and local state administration with former activists and cadres (with their way of thinking and mentality).

Thus, the restoration now no longer has any cracks. President Iliescu is the prisoner of the elite of the “restorers.” Relying upon these people and using them as a base for his own political consolidation, Mr. Iliescu can no longer discard these people, not even when they are inconvenient. Crying is of no use. This is so since it is well known that the struggle for power is unforgiving and the strong always win. The strong won and the weak lost.

Unfortunately for those who must follow, the problem cannot be merely presented in such terms. For the periods of domestic and external distress through which Romania is passing, the political game cannot be merely a zero-sum game, that is, where some lose and others win. There is also the possibility of a game with a positive outcome, where, even if some lose and others win, overall there is a benefit for the country and, by chance, one for each individual participant. Unfortunately, there is also a game with a negative outcome. There is a loss overall, as well as for each of the participants, and the relative winners cannot make use of their victory. This is the great threat of the current restoration. Nor is there need for the “restorers” to wish to pursue a return to the past or to stay in the past, but it is merely enough that their mentality cannot but be other than one of the past, that they, with or without ill-will, cannot in fact conceive of things any differently, not even in the spirit of self-preservation. A “restorer,” for example, cannot be for decentralization because, from experience, he has learned that only centralization can offer omnipotence to the incompetent. And, not just if one speaks merely of self-preservation.

We see almost every day a game that is incomprehensible because, although there is a haunting plea that things are being done in the name of the country’s interests, it more often than not comes up empty rather than fulfilled. The

"restorers" have selected several spokespersons, be they parliamentarians or from the print media. The scenario is always and always the same, reproduced as if by xerox. Any person who is not from the same part of the political "barricade"—politicians, cultural figures, journalists, and so forth—is said to be guilty of treason against our people and the country. In order to smear and discredit these people, files from the *Securitate* are widely used (it is not necessary to ask ourselves how they have access to these files), from which data is extracted to produce falsehoods and distortions.

These "restorers" pose as the sole defenders and owners of the monopoly of being Romanian. They defend the country against those whom they consider to be domestic enemies—namely, the reformers—seeking a return to 1989, to the end of an economic experiment that proved to be a grand failure, seeking to forget that communism alone led Romania to last place in Europe and left to the people the horrible legacy of a protein-deficient diet that will endure for decades. In exchange, they offer us all kinds of cock-and-bull stories about the stimulation of production, the stopping of inflation, the reversal of unemployment, the strengthening (?) of the value of the leu—all elements of a low-down demagoguery in which they tell us nothing about how all this will be achieved. But we know all to well that in the short term there are no miracle solutions.

If this entire long-running campaign of demagoguery and distractions had been carried out for the purpose of achieving a restoration, the campaign should have come to an end since that objective was attained. If it continues, we are talking about nothing more than the disease that communism always brought along with it—class struggle—which threw society into the breach and killed labor productivity. We should have no doubts about this, with it being absolutely clear where this path of class struggle leads, a struggle that is actually the struggle of incompetence against all the people: the perpetuation of economic disaster and the elimination of any chance and any hope. Is all of this somehow in the national interest? This terrible question is dramatically linked to the strategy that the "restorers" do not hesitate to propose in the current foreign context. When applied to the economy, exacerbated nationalism leads to autarchy, and isolation in an era of internationalization of economic affairs means self-condemnation to failure. Is all of this somehow in the national interest of Romania?

And, without any any doubt, anti-Western, anti-American attitudes are being insidiously shoved down our throats. The popularity of such a stance is not to be ignored since there is an awareness that the West does not want us and does not love us. And perhaps this is so. But, on one hand this means not begging the West for some goodwill, which is not forthcoming and does not exist, but rather pursuing a connection to the democratic values and economic efficiency that the West has promoted far better than anyone else in the world; and, on

the other hand, it means transforming this anti-Western attitude into a calling card that can precisely serve as a pretext to reject us.

With Romania being in a region where the German giant and the Russian empire meet, an anti-Western attitude and anti-Americanism are pushing our country—and it cannot be said that this is happening merely through the recklessness of those who preach these attitudes—under the Muscovite boot, and this offers the West the wonderful opportunity to justify their own decision—in the eyes of the world—to leave Romania in Moscow's grasp, if such a decision exists. Would this, however, be in the national interests of us Romanians?

The conflict in the former Yugoslavia and, in dramatic fashion, the slippery business of the Danube barges remind Romania that, as a result of its association with the international embargo against Serbia, it is required to choose between the punitive action called for by the international community and the best of its own neighbors, one with whom it has never had any problems. One option is to attempt within current foreign policy to reconcile both issues; the other option is to use the Serbian problem with the West as a reason and opportunity—as do our nationalist-communists—to turn completely towards the East. Would this turn represent Romania's real interests? Can we suddenly forget, even if the West did not want or love us, that all of our misfortune came, nonetheless, from the East, whether we are talking about the Czarist empire or the Soviet one?

The Romanian intelligence services have boasted that they treated the KGB and the GRU as foreign agencies, and, after the events of December 1989, our services sought to convince us that in the past they were constantly guided by national interests, feeling that it is naturally understood that they are now guided even more so. Now, however, it is hardly important any more whether or not they support the noisy nationalists because, in fact, only the final effect counts. Given the course that the current nationalism has selected, with or without assistance, Romania is being completely turned—economically, politically, and by its attitude—towards Moscow. And, Moscow has not known, does not know, and will never know any kind of "cooperative" relationship other than the subordination of the weak partner.

Under the domination of a more developed or more civilized partner there are sometimes small benefits. In the case of the Muscovite boot, however, there is not the smallest benefit. Does the path to the East and the Muscovite boot under which we will inevitably fall by pursuing this path represent everything that those in Bucharest can think of, plan for, and hope for? Even if we are once again condemned to remain economically, politically, and spiritually in our eastern orientation, can we at least have the decency to try to get out of this situation?

As things are now unfolding, one would have to admit that, unfortunately, those who are strongly committed to moving us toward the East seem to have won the game (certainly at the national level!). What is funny is that they pretend to defend the national interests of Romanians.

### Wind Power Station Project Reported

93P60168A ROMANIA LIBERA in Romanian  
25 Feb 93 p 2

[Article by Ion Medoia: "The First Romanian Wind Power Station"]

[Text] At an altitude of 1,400 meters on the Semenic mountain plateau, the first pilot wind power station is beginning to take shape not far from the well-known resort of the same name. The project's history in this area—which, according to experts, is most favorable for

wind-energy exploitation—began three years ago with the operation of the first experimental 300-kilowatt wind turbine, the result of joint efforts of the Timisoara Technical University faculty staff, researchers and designers of the Specializing Institute in Timisoara, and the machine builders in Bocsa. Recently, a second such power unit has just passed into the final installation phase, to be followed by two more units that are presently being built and tested in the Bocsa plant and the Timisoara workshops respectively. These four experimental 300 kw Eoltim-type turbines will constitute the first pilot wind power station in our country. The next phase in wind energy exploitation, considered presently to be the cheapest form in the world, is the installation of 100 turbines of this type, and in the more distant future—according to experts participating recently in an international symposium on the subject—the construction of a 900-kw power station, which would be a true record in the field.

\* **Czechs Accused of Disregarding Agreements**  
*93CH0388A Bratislava SLOBODNY PIATOK in Slovak  
 12 Feb 93 p 1*

[Commentary by Editor in Chief Jozef Sitko: "Klaus and Meciar Propose, Others Dispose"]

[Text] The optimists could foresee no reason why the signed agreement on joint currency would not remain in force for the stipulated period of six months. The pessimists (especially in Bohemia) believed that it might last about three months. However, the agreement is already dead; it survived less than five weeks. Obviously, this phenomenon—the shortest-lasting agreement on currency—is a world rarity. The parties to the agreement proposed—the Czech side disposed...

The Morava River was not intended to turn into an Atlantic-like barrier between Slovakia and the Czech lands. Politicians kept promising that it would rather resemble a shallow brook dividing an orchard owned by two neighbors-brothers. The former federation was not an orchard jointly owned by two brothers; nevertheless, a high wall with barbed wire should not be erected along Moravia's borders. What Messrs. Klaus and Meciar had intended was changed by the Czech parliament and government...

Citizenship was supposed to express not only the new legal relations between the Czechs and the Slovaks but also the links of the past seventy-year co-existence of the two nations. Not even the most hard-nosed pessimist could have foreseen the turn that took place in the new democratic state as concerns the grant of Czech citizenship to Slovak brothers. Those who want to become citizens of the Czech Republic and not be strangers in their former country must speak Czech; they must have lived across the Morava River for at least five years; they must have a spotless police record and undergo a lengthy bureaucratic torture inflicted by pedantic clerks. They get a number and have to stand in long lines, worrying whether their application will be approved and whether their families will be deported to Slovakia; that resembles the past status of the Jews, Gypsies, and other stateless persons in the so-called Protectorate of Bohemia and Moravia. To be sure, Czech deputies do not need a spotless police record, and the former Chancellor Schwarzenberg and others are able to hold dual citizenship. Although Vaclav Klaus signed political agreements, his colleagues from the ODS [Civic Democratic Party] and the ODA [Civic Democratic Alliance] do not respect them...

The optimists kept swearing that the trade and economic relations between the two independent states would not be affected at all because that is what our inevitable mutual economic cooperation demands. However, now (after less than six weeks of independence) Czech politicians and economists are discussing cuts in mutual trade of up to 30 percent and the necessity to look for "substitute markets" to make up for the rising deficit projected for their trade with the insolvent Slovakia. In

other words, their interest in economic cooperation was only temporary. Business managers and entrepreneurs could provide the best information about actual practices of this new cooperation where a concrete bureaucratic harness and personal interests have a stronger and more powerful effect than any "isolated" public interest, the needs of the state, and a horse sense. Messrs. Klaus and Meciar made certain agreements—and those agreements are being altered by other persons....

There were talks that the joint assets of the federation would be magnanimously and fairly divided. But they were just that—talks.... However, the realists (who in Slovakia used to be called "prophets of doom") repeatedly pointed out that it is only in rare exceptions that divorces are amicable and that former partners in bed, trade, or politics can restrain themselves from reaching for a knife. Furthermore, experience has shown that those citizens who predicted that the division of federal property would leave the Slovaks with the shorter end of the stick were more farsighted. Nevertheless, we still hold an ace in our hands: the gas and oil pipelines. Agreements are one thing, but arguments from the position of strength are more convincing....

When the dissolution of the federation was being discussed, the Czech side made some temporary compromises. At that time, it was most interested in a speedy and peaceful separation, to which it subordinated its specific post-independence policies and strategy. For that reason, it promised more than it intended to fulfill. Time will tell whether that will help or hurt the Czech side because it, too, is passing through a tunnel in which its whole economy is undergoing transformation while new structures and new markets for the independent state are being created—at a time when the countries in the East are politically and economically collapsing and the West is experiencing economic stagnation. Obviously, it was in our interest to stay in a common state for at least another year and to deal expeditiously with problems of economic restructuring. However, it is difficult to say whether that could have been achieved by prudent political maneuvers, but those Slovak radicals were dead wrong to belittle such problems and regard every cautious and far-sighted fellow citizen as anti-Slovak and pro-federalist.

There is no free lunch and therefore, we must pay for our independence. We must (irrespective of our empty pockets) build up our own army, diplomatic representation, new structures for international relations and many other sectors and centers that in the past were operated by the federal government and are now used by Prague. Operation of such structures will cost Slovakia billions and comes at a time when the break-up of the federation has further accelerated our economic downslide. However, those funds are missing in the budgets for health care and educational systems, culture, security services, the judiciary and particularly for the entire social area where tensions are now increasing and that are in danger of collapsing. There is no money but our government and the parliament should not deal with Slovakia's

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burning problems by adopting bad laws, and by crushing a promising social stratum—the entrepreneurs—with disproportionate and inexpertly assessed taxation. That resembles a discontented farmer who demands that his hen lay three eggs every day, when all she can manage is to produce a single one, and who in his shortsightedness kills her.

A graphic example of it is the so-called law on insurance, which would not put a socialist legislator and member of government to shame. It is egalitarian and anti-incentive, and discourages individual achievement and efficiency. Socialism has perished because of the lazy, uninspired, and indifferent citizens whose right hand (that works) is much too short and whose left hand (that grabs wages) is much too long. If our new government fails to learn from our partners who are evasive and who fail to keep agreements, as well as from the anti-incentive, egalitarian practices of socialism, it will lead Slovakia to a catastrophe. In conclusion: Let us not rely on our wishful thinking but rather let us critically assess our partners. We shall not be disappointed....

**\* Political Moves of Foreign Minister Discussed**

93CH0369A Prague LIDOVE NOVINY in Slovak  
6 Feb 93 p 3

[Commentary by Stefan Hrib: "M. Knazko's Second Betrayal"]

[Text] Only one month of Slovak independence was enough for a fundamental break in Slovak politics to take place—a break that will have consequences for Slovakia's political landscape that are still unimaginable today. This break is the breakup of the unbreakable—the breakup of the Movement for Democratic Slovakia [HZDS].

The man who had the courage, as the first one of the governing movement, to confront Vladimir Meciar is Foreign Affairs Minister Milan Knazko. His "courage" immediately earned him the goodwill of a large part of the press, and for some of the Slovak citizens he even became a hope and a new symbol of the struggle for freedom and democracy. This fact can also be considered a significant shift in Slovakia, since similar "courage" by Fedor Gal two years ago and the subsequent recall of the prime minister in the Slovak National Council elicited a completely opposite reaction in Slovak society: sympathy with Meciar.

However, the present feeling of sympathy with Knazko is as mistaken as the other one was. If Milan Knazko is rebuking Meciar for not being a democrat—because, according to him, his leadership of HZDS is authoritarian, because he is turning Slovakia into a one-party state, because he is putting former Communists into functions, and because he is even forming his own, personal foreign policy—then this rebuke should cause pain in the first place to Knazko himself. Nobody publicly helped the HZDS chairman more than the present foreign minister (the help coming from Jan Budaj was purely behind the scenes). It was precisely

Knazko who gave a key speech on Slovak Television at the beginning of 1991 about the undemocratic leadership of Public Against Violence [VPN]. Milan Knazko then became the politician who aimed the sharpest attacks at Vaclav Havel, with which he cast doubt on the very foundations of Czechoslovakia in the minds of Slovak citizens. And again, this very same Knazko pushed the idea of Slovakia's subjectivity under international law into the election program of HZDS, by which he in effect changed this movement into a separatist one and decided that all the power in the separate state will be placed in Meciar's hands.

Moreover—if Milan Knazko "discovered" only today what the VPN leadership realized already a long time ago—namely, that with Meciar at the head of anything democracy is directly threatened—then it is at the very least evidence of Knazko's slow thinking. But if so, instead of sympathizing with him, it would be more appropriate to think about his political blindness.

But it rather seems that Milan Knazko knew what Meciar was like even at the time he was defending him before the nation. However, he decided to betray VPN because it brought him the fulfillment of his ambition to become minister of foreign affairs of the independent state. Today, when he officially is one, he finds to his surprise that somebody else is making the decisions.

At this time, the ousted Fedor Gal, the ousted Vaclav Havel, or the abolished common state do not stand in the way of Knazko's ambitions. In his way stands Vladimir Meciar.

Therefore, Milan Knazko decided on a second betrayal. It must be pointed out that to betray democratically thinking politicians is not difficult. The betrayal of Meciar, however, will be Knazko's undoing.

P.S.—On Saturday, 30 January 1993, the okres HZDS representatives asked the HZDS leadership to determine whether the current activities of M. Knazko and R. Filkus are in conflict with the resolutions of this movement....

**\* Assessment of Critical Political Factors**

93CH0371A Bratislava SLOBODNY PIATOK in Slovak  
5 Feb 93 p 2

[Commentary by Igor Cibula: "A Fateful Crisis Ahead?"]

[Text] The defeat of the official candidate of the HZDS [Movement for a Democratic Slovakia] in the first round of the presidential elections helped focus more spotlight on the Meciar-Knazko antagonism in which the rebellious foreign minister was joined by Rudolf Filkus, heretofore the chairman of the HZDS Council. The fundamentalist activists of the ruling movement on the district level are vigorously supporting Prime Minister Vladimir Meciar who is already prepared to "settle accounts" with the two members of the intra-party

opposition. Thus far, there is no faction in the HZDS where politicians who have critical objections against Vladimir Meciar could come together. Therefore, one cannot expect that the "dissidents," Knazko and Filkus, could successfully organize within the HZDS their sympathizers who would support them.

Therefore, although such a drastic break-up of the HZDS cannot be foreseen in the nearest future—as was the case in the Public Against Violence movement nearly three years ago—Knazko's and Filkus's controversial attitudes signal a warning that even the HZDS cannot escape its fateful crisis. Nevertheless, a critical situation will occur only when the defeats suffered by the ruling movement thus far are augmented by more serious socio-political tremors—such as the results of mayoral elections in Kosice or Roman Kovac's presidential fiasco. Then a more pragmatically oriented wing of the HZDS may find itself in an open confrontation with those whose fundamentalist intolerance and nationalist radicalism have shrunk the base of the HZDS's sympathizers.

In the context of those problems, it will be of utmost importance how the HZDS leadership acts when it discusses with other members of the parliament its candidate for the second round of presidential elections. It is no secret that the opposition is not inclined to cast its votes "cheap" for a presidential candidate nominated by the ruling movement. Immediately after the first round of presidential elections, the representatives of the opposition considered even the possibility of supporting a candidate from the HZDS, provided that it is either Rudolf Filkus or Milan Knazko. Some deputies of the opposition are willing to support Michal Kovac's candidacy for presidency only on the condition that there be a guaranteed minimum balance of constitutional powers as concerns appointments for the highest posts of the Slovak Republic. Consequently, the heads of the Constitutional Court and the Supreme Auditing Bureau of the Slovak Republic should be persons who have no political links with the HZDS. However, it will not be easy to meet such demands of the opposition, among other things, also because the ruling movement has already picked its own people to head both above-mentioned constitutional institutions.

Political discussions about the choice of the future Slovak president are underway in a situation where the monetary union of the Slovak Republic with the Czech Republic is being terminated. The monetary separation goes hand in hand with problems concerning the newly introduced Slovak national currency. Here Meciar's administration literally teeters on the razor's edge and for that reason, it can ill afford any excessive luxury of intra-political instability stemming from the possibility that it may take three rounds to elect the president. An independent Slovakia must have a president as soon as possible so that it can deal with more relevant tasks for the near future.

In this context, a willingness to compromise is expected from all responsible politicians, whether on the side of

the government or of the opposition. Although the opposition leaders in particular are stressing that the president must not be burdened by partisanship, they were unable to nominate even a single candidate who would meet their own criteria. Therefore, all they have left is the option of endorsing the nomination of a candidate selected by the most influential members of the parliament, provided that he properly assumes a position of independence vis-a-vis his own political party or movement. Only that can overcome obstacles posed by antagonistic partisan interests that prevent the process of presidential elections in the Slovak Republic from being carried out in a dignified manner. In the current situation it would be a waste of time to search for any other solutions—which independent Slovakia cannot afford. If all responsible politicians fail to recognize that fact promptly, the citizens-voters will certainly make them accountable for it in the next election!

#### \* Meciar Reportedly May Run for President

*93CH0366B Prague LIDOVE NOVINY in Czech  
28 Jan 93 p 3*

[Commentary by Jana Smidova: "Too Many Kovaces"]

[Text] Prague announced the date of the presidential election later than Bratislava, but then Prague already knows its head of state. After the second futile election, all the Slovak Republic has is the promise that the decision about its president will be made on 15 and 16 February. After neither the candidate of the HZDS [Movement for a Democratic Slovakia], Roman Kovac, a former union leader, nor the man of the SDL [Slovak Democratic Left], Milan Ftacnik, received the necessary vote of three-fifths of the deputies, the whole procedure had to be repeated all over but with a different protagonist and what is more, on a differently arranged political chessboard. For the second round the most powerful Slovak political force nominated another Kovac, Michal, the former chairman of the Federal Assembly. This was hardly a snap decision: The executive council of the HZDS had agreed to proceed this way already on 16 January. After the election the opposition and cooperating parties, including the SNS [Slovak National Party] concurred that the election was a failure and demonstrated amateurism on the part of the HZDS which, in their view, tried to push through its own candidate without consulting them. Although the story of the victorious movement is marked by quite a few incompetent steps and unilateral decisions, in this instance it may be a case of a shrewd stratagem intended to blunt the edge of criticism about a power triangle. The HZDS has already appointed the prime minister and the speaker of the parliament, so the opposition would not be the only one to regard still another man in the Bratislava Castle as a mouthful that is hard to swallow. However, if Michal Kovac, who is more popular on the Slovak political arena than his namesake, would promise his support in exchange for certain concessions and appointments (as is already in the works in the case of the SNS, which does not run its own candidate in the second round), the one-party monopoly would no longer

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look so intolerable to some people. However, it is a moot question whether the author of this strategy is Vladimir Meciar, with whom Michal Kovac is not very popular, or whether this reflects only the heretofore down-played

ideological currents within the HZDS. Another presidential election may test the coherence of the movement that has no other Kovac left, unless he goes under the name of Meciar.